Integrated Annual Report 2013

CONTENTS

About this report	1
Tiger Brands 2013	1
Key financial indicators	4
Business overview	**6**
Group profile	8
Our organisational structure	9
Footprint	10
Business operations	12
Stakeholder engagement	14
Milestones	17
Our vision and mission	18
Our values	19
Corporate strategy	20
Leadership	25
Performance review	**30**
Reports to stakeholders	32
Chairman's letter to stakeholders	32
Chief Executive Officer's report	35
Chief Financial Officer's report	39
Divisional review	46
Grains	46
Consumer Brands	48
Exports and International (excluding Nigeria)	52
Nigeria	55
Associates	57
Key statistics	59
Definitions	59
Five-year review	61
Segmental report	62
Value added statement	64
Summary of ratios and statistics	65
Governance and risk	**66**
Corporate governance	68
Audit committee report	77
Risk report	81
Remuneration report	**86**
Sustainability	**108**
Our people	110
Transformation	118
Corporate social investment	123
Environmental impact	126
Annual financial statements	**130**
Responsibility for annual financial statements	132
Report of the independent auditor	133
Directors' approval	134
Certificate by Company Secretary	134
Preparation of annual financial statements	134
Statutory information	135
Effects of changing prices	137
Income statements	138
Statements of comprehensive income	139
Statements of financial position	140
Statements of cash flows	141
Notes to the cash flow statements	142
Statements of changes in equity	144
Notes to the financial statements	147
Shareholder information	**226**
Application of King III	228
Administration	233
Analysis of shareholders	234
Shareholders' diary	241
Declaration of final dividend No 138	241
Notice of AGM	242
Appendix 1: Re-election of directors and election of audit committee	250
Annexure A – Outline of the remuneration policy	251
Form of proxy	253
Travel information	255

Tiger Brands 2013
About this report

Tiger Brands Limited is South Africa's largest food company and is included in the Top 40 Index on the Johannesburg Stock Exchange. A branded fast-moving consumer goods company, operating mainly in South Africa and selected emerging markets, its principal activities are the manufacture, processing and distribution of branded food, home, personal and baby care products.

In addition to its South African operations, Tiger Brands has direct and indirect interests in food businesses in Nigeria, Kenya, Cameroon, Ethiopia, Chile and Zimbabwe. Its export distribution network spans more than 22 African countries.

Basis of preparation

In line with the requirements of King III, this Integrated Annual Report provides a consolidated review of the group's financial, social, economic and environmental performance for the year ended 30 September 2013 and is primarily targeted at stakeholders including employees, shareholders and potential investors.

This Integrated Annual Report 2013 aims to provide stakeholders with an understanding of the group's business, prospects and strategy and an appreciation of the overall environment in which the group operates. The report covers the operations of Tiger Brands Limited and its subsidiaries and associate companies for the year ended 30 September 2013.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa No 71 of 2008. In reporting on the non-financial aspects of its performance, the group has been guided by the Global Reporting Index (GRI), the King III report on Governance for South Africa 2009, and the Listings Requirements of the JSE Limited. The Integrated Annual Report 2013 has also been informed by various standards and codes that govern specific areas, including the Department of Trade and Industry's Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

About this report continued

In accordance with the stated objectives of integrated reporting, the report focuses on issues that materially affect Tiger Brands' ability to create and sustain value, and also on those areas that the company materially impacts in the course of doing business. The report further outlines how these issues have been integrated into the group's business strategy.

The company has applied the key principles in the King III report. In respect of the principles which have not been applied, an explanation is provided where any material non-adherence has occurred.

The report is also based on principles and guidance from the GRI and the relevant Sector Supplement (collectively the GRI G3.1 Guidelines) and is compiled based on a self-declared Application Level C.

Process for defining report content

Tiger Brands has considered and applied many of the recommendations contained in the *Discussion Paper on the Framework for Integrated Reporting and the Integrated Report* issued by the Integrated Reporting Committee of South Africa in January 2011, and the draft *International Integrated Reporting Framework*.

Forward looking statements

This Integrated Annual Report contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 30 September 2013. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove to be inaccurate. The company cannot guarantee that any forward looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.

Responsibility statement and review

The audit committee and the board acknowledge their responsibility to ensure the integrity of this Integrated Annual Report. The report has been reviewed by the audit committee and the board. The annual financial statements included in this Integrated Annual Report have been audited by the external auditors.

For further information, please contact the group Company Secretary, Ian Isdale:
T: +27 (0)11 840 4350
E: companysecretary@tigerbrands.com

Assurance

The combined assurance model of the group in its current format is set out below:

Business process	Nature of assurance	Assurance provider	Integrated Annual Report disclosure
Annual financial statements	Audited	Ernst & Young Inc.	The scope of their audit is limited to the information set out in the annual financial statements and does not extend to any financial or operating indicators included in the Integrated Annual Report.
B-BBEE	BEE scorecard	Empowerlogic (Pty) Limited	Please refer to the Transformation report on pages 118 to 122.

Send us your feedback

Your feedback has resulted in the improvements seen in this year's report.

Please direct any questions or comments to:
Ian Isdale, Company Secretary at
companysecretary@tigerbrands.com,
+27 (0)11 840 4350

Corporate information

Tiger Brands' Integrated Annual Report 2013 is available in hard copy from the Company Secretary, on request, and is also posted on the group's website: http://www.tigerbrands.com

The company's contact details are disclosed on page 233.

Key data

Tiger Brands Limited
(Registration number 1944/017881/06)
(Incorporated in the Republic of South Africa)
Share code: TBS
JSE Main Board sector: Food Processors
ISIN: ZAE000071080
Listing date: 1944
Number of shares in issue: 191 547 468

Key financial indicators

INCLUDING DANGOTE FLOUR MILLS

Group turnover	Operating profit#	Headline earnings per share
R27,0 billion	R3,1 billion	1 624 cents
Up 19,1%	Down 11,6%	Down 3,8%

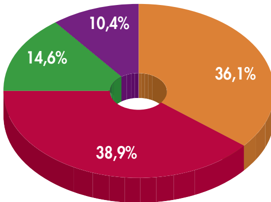
EXCLUDING DANGOTE FLOUR MILLS

Group turnover	Operating profit#	Headline earnings per share
R24,7 billion	R3,5 billion	1 781 cents
Up 8,8%	Flat on previous year	Up 5,4%

#Before abnormal items

SEGMENTAL CONTRIBUTION

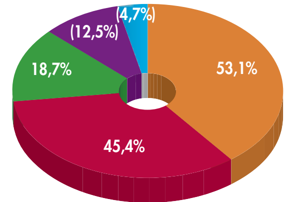
2013



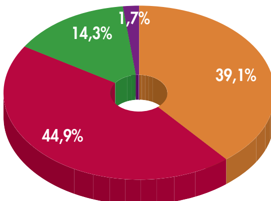
- Grains
- Consumer Brands
- Exports and International
- Nigeria
- Other

Group turnover: R27,0 billion

*Excluding discontinued operations

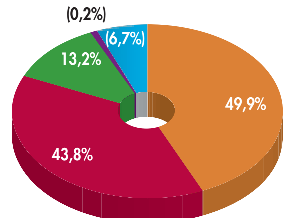


Group operating income: R3,1 billion



- Grains
- Consumer Brands
- Exports and International
- Nigeria
- Other

Group turnover: R22,7 billion



Group operating income: R3,5 billion

Business overview

In this section

Group profile	8
Organisational structure	9
Our footprint	10 – 11
Business operations	12 – 13
Stakeholder engagement	14 – 16
Milestones	17
Our vision and mission	18
Our values	19
Corporate strategy	20 – 24
Leadership	25 – 29

Group profile

Tiger Brands is a Top 40 JSE company with a footprint that extends across the African continent and beyond. As one of the largest manufacturers and marketers of FMCG products in southern Africa for several decades, Tiger Brands has been built up through the development of its own brands and the acquisition of leading brands and businesses. In recent years, the group has expanded its footprint further into the rest of the African continent, primarily through acquisitions as well as through the export of its South African brands into new markets.

Tiger Brands participates in a broad range of categories, spanning food, home, personal and baby care products. The continuous renovation and innovation of its brands and the successful extension of these brands into adjacent categories and new markets underpin its success. The group's brand strategy is supported by extensive investment in consumer and shopper research, which is used to obtain comprehensive consumer insight into the relevant categories and markets in which Tiger Brands operates.

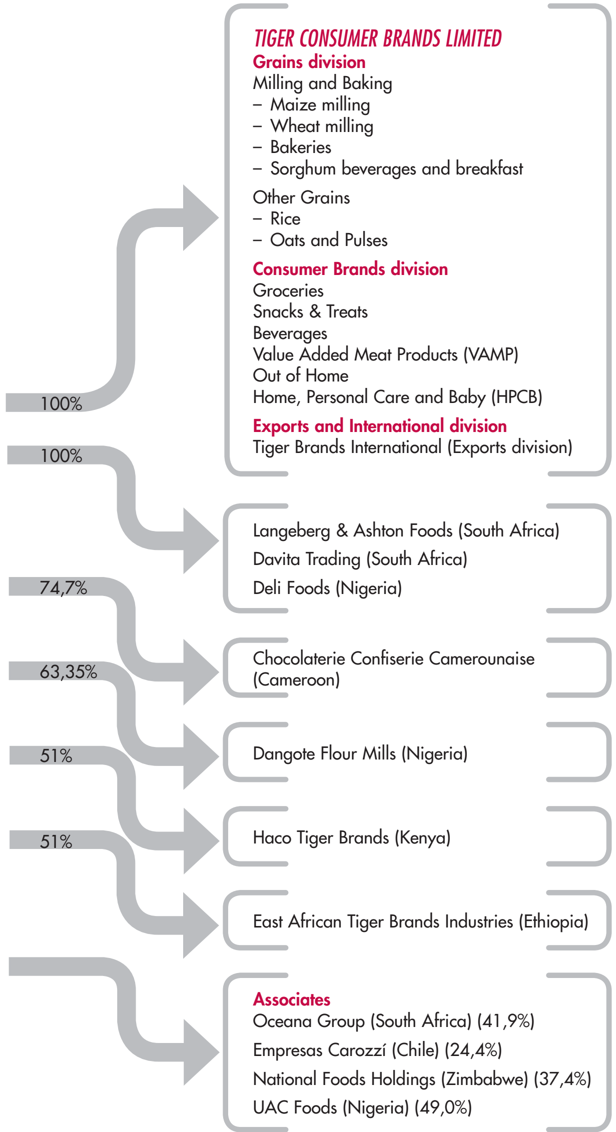
Tiger Brands prides itself on being a world-class manufacturer and marketer in the FMCG categories in which it operates. The group continually invests in its people, brands and manufacturing assets.

The group holds meaningful minority shareholding interests in:

- JSE-listed fishing company Oceana Group Limited;
- Chilean-based FMCG company Empresas Carozzí;
- Nigerian-based FMCG company UAC Foods Limited; and
- Zimbabwean-listed FMCG company National Foods Holdings Limited.

Organisational structure

ORGANISATIONAL STRUCTURE



Our footprint

South Africa

Tiger Brands is headquartered in South Africa where it is among the top 40 companies listed on the JSE. Tiger Brands holds the number one or two position in most categories in which it operates, spread across a wide range of FMCG food, home care, personal care and baby categories. Tiger Brands manufactures its range of high-quality, functionally differentiated products in more than 50 manufacturing sites spread across South Africa.

West Africa

Nigeria
Tiger Brands owns a 100% shareholding in the biscuit company Deli Foods, 49% shareholding in UAC Foods and 63,35% shareholding in Dangote Flour Mills. Through these businesses, Tiger Brands has expanded its presence in the West African market in various food categories.

Central Africa

Cameroon
Chococam, in which Tiger Brands owns a 74,7% interest, is based in Cameroon and manufactures/markets a range of confectionery, beverages and spreads brands and distributes several core Tiger Brands' brands in the region.

Southern Africa

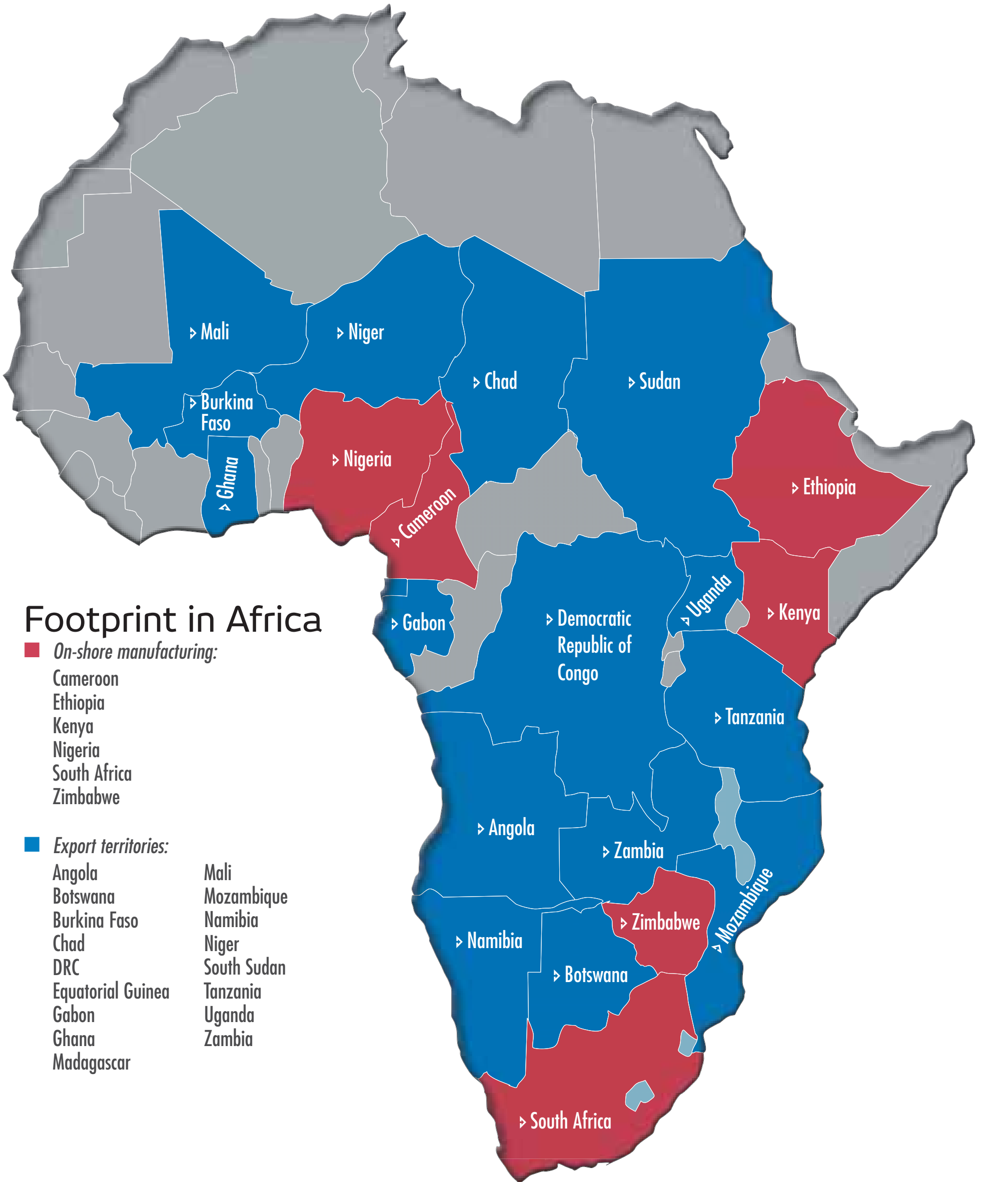
Zimbabwe
Tiger Brands holds a 37,4% share in the branded grains business National Food Holdings Limited.

East Africa

Kenya and Ethiopia
Tiger Brands is the majority shareholder in Haco Tiger Brands (Kenya) and East African Tiger Brands Industries (Ethiopia). A range of local brands and core Tiger Brands are marketed and manufactured in these countries.

South America

Chile, Peru
Tiger Brands holds a meaningful minority share in Empresas Carozzí, a leading branded foods business in South America, which is based in Chile, and also has a manufacturing site in Peru. Empresas Carozzí owns leading branded products in the biscuits, confectionery, rice, pasta, petfood and beverages categories.



Footprint in Africa

On-shore manufacturing:

Cameroon
Ethiopia
Kenya
Nigeria
South Africa
Zimbabwe

Export territories:

Angola
Botswana
Burkina Faso
Chad
DRC
Equatorial Guinea
Gabon
Ghana
Madagascar
Mali
Mozambique
Namibia
Niger
South Sudan
Tanzania
Uganda
Zambia

Business operations

Grains

36% of group turnover

Brands

- Milling and Baking – Albany, Golden Cloud, Ace
- Sorghum Beverages & Breakfast – King Korn, Mabela, Morvite, Ace Instant, Jungle Oats, Taystee Wheat, Oatso Easy, Jungle Energy Crunch
- Rice – Tastic, Aunt Caroline, Surprise, Cresta

Consumer Brands

39% of group turnover

Brands

- Groceries – Koo, All Gold, Crosse & Blackwell, Fatti's & Moni's, Black Cat, Mrs Ball's, Hugo's, Colmans
- HPCB (Home, Personal Care and Baby) – Purity, Ingram's Camphor Cream, Doom, Elizabeth Anne's, Jeyes, Perfect Touch, Dolly Varden, Status, Lemon Lite, Kair, Protein Feed, Airoma, Peaceful Sleep, Bio Classic
- VAMP (Value Added Meat Products) – Enterprise, Renown, Mielie-Kip, Bokkie
- Snacks, Treats and Beverages – Oros, Maynards, Energade, Hall's, Rose's, Monis, Game, Smoothies, Beacon, MMMallows, Allsorts, Jelly Tots, Jungle Energy Bar, Wilsons, Toff-O-Luxe, XXX, Fizzpop, Damascus

Exports and International

15% of group turnover

Brands

- Tiger Brands Exports – This division exports the group's branded products into the rest of Africa
- Langeberg & Ashton Foods – Gold Reef, Silverleaf
- Haco Tiger Brands (Kenya) – Ace, BIC, Jeyes, Miadi, Motions, TCB, Bloo, SoSoft
- Chococam (Cameroon) – Arina, Big Gum, Kola, Mambo, Matinal, Tartina, Tutoux, Chococroc
- UAC Foods (Nigeria) – Gala, Swan, Supreme, Delite, Funtime
- Davita Trading (South Africa) – Jolly Jus, Benny, Davita
- East African Tiger Brands Industries (Ethiopia) – Peacock, Crown, Solar, Micky, Miracle, Florida

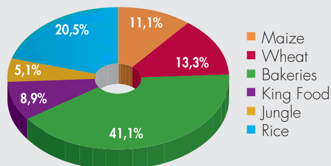
Nigeria

10% of group turnover

Brands

- Deli Foods – Deli, Igloo, Orange Star
- Dangote Flour Mills – Dangote Flour, Dangote Pasta, Dangote Noodles

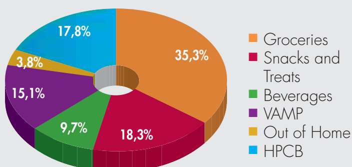
Grains



- Maize
- Wheat
- Bakeries
- King Food
- Jungle
- Rice

	2013	2012	% Change
Turnover (Rm)	9 737	8 854	10,0
Operating income before abnormal items (Rm)	1 633	1 732	(5,7)
Operating margin (%)	16,8	19,6	

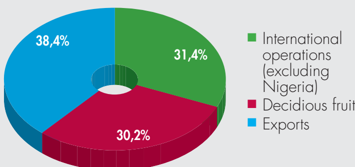
Consumer Brands



- Groceries
- Snacks and Treats
- Beverages
- VAMP
- Out of Home
- HPCB

	2013	2012	% Change
Turnover (Rm)	10 515	10 190	3,2
Operating income before abnormal items (Rm)	1 395	1 522	(8,3)
Operating margin (%)	13,3	14,9	

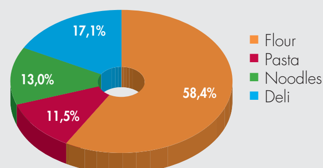
Exports and International



- International operations (excluding Nigeria)
- Decidious fruit
- Exports

	2013	2012	% Change
Turnover (Rm)	3 944	3 244	21,6
Operating income before abnormal items (Rm)	575	459	25,3
Operating margin (%)	14,6	14,1	

Nigeria



- Flour
- Pasta
- Noodles
- Deli

	2013	2012	% Change
Turnover (Rm)	2 809	390	620,2
Operating income before abnormal items (Rm)	(384)	(8)	4 700,0
Operating margin (%)	(13,7)	(2,1)	

Stakeholder engagement

Tiger Brands recognises that developing and nurturing dialogue with its key stakeholders is a driver of business sustainability. Stakeholders include individuals or groups who potentially affect, or are affected by the group and its operations.

IDENTIFY AND KNOW OUR STAKEHOLDERS

DEMONSTRATE COMMITMENT TO STAKEHOLDERS

ENGAGE WITH STAKEHOLDERS

CONSUMERS

BUSINESS PARTNERS

INVESTORS

EMPLOYEES

SUPPLIERS

CUSTOMERS

COMMUNITY

GOVERNMENT AND REGULATORS

Tiger Brands' commitment	Communication channel
EMPLOYEES	
An employer of choice that offers opportunities for growth and fulfilment Tiger Brands complies with employment laws and practices and is committed to the protection of human rights.	› Bi-annual staff presentations by executive management to communicate the group's strategy and performance. › Regular intranet communication to inform employees of significant events or developments. › Daily informal group discussions are held at our production sites. › Various forums at manufacturing units at which employment equity, skills development and management issues are addressed. › Workplace culture programmes at manufacturing units to facilitate improved employee relationships. › Tiger Stripes recognition awards. › *Tiger Tales* quarterly magazine. › Annual employee climate survey.
CONSUMERS	
Trustworthy, high-quality, leading brands that add value to consumers' lives. The group complies with the Consumer Protection Act and other relevant legislation and regulations relating to consumers. We monitor trends in nutrition and conform to international standards.	› Research surveys to capture consumer insights and gain category understanding. › Regular communication with consumers through mobile and website interfaces for each core brand. › In-house consumer services centre which addresses all consumer complaints and queries. › Membership of the Consumer Goods Council of South Africa. › GDA (guideline daily amount) table informs consumers of the nutritional values in Tiger Brands' food products.
CUSTOMERS (RETAILERS/WHOLESALERS)	
A high-performance, leading company that builds valuable partnerships for future growth.	› Regular communication on matters concerning category strategy, value chain efficiencies, transactional and promotional activities. › Focus on cost efficiencies throughout the value chain to effectively compete on value. › Customer structures aligned to ensure category expansion and profitable growth.

Stakeholder engagement
continued

Tiger Brands' commitment	Communication channel
INVESTORS	
Delivering consistently superior financial performance for sustainable growth.	› Planned communication sessions led by the Chief Executive Officer and nominated executive management. › Regular meetings and presentations to analysts, institutional investors and the media in South Africa, the US and the UK. › Company website provides all relevant information on the group. › Press releases, announcements and notifications are distributed to shareholders through SENS, the post and the company's website. › Shareholders are encouraged to attend the company's annual general meeting to vote on resolutions and to discuss relevant issues with the company's directors and management.
COMMUNITY	
A successful company that is part of and adds to the well-being of the community.	› Preferential procurement policy (see page 120). › Enterprise development projects (see page 120). › CSI policy and projects (see page 123). › Tiger Brands Foundation (see page 125).
GOVERNMENT AND REGULATORS	
A successful, stable and ethical company that contributes to the economic growth of the communities in which we operate.	› Taxes paid timeously. › Engagement on draft legislation and regulations through meetings and formal communication channels. › Interface through Business Leadership South Africa, Business Against Crime, National Business Initiative and respective industry chambers. › Adherence to the B-BBEE Codes (see page 118).

Milestones

1920	Jacob Frankel establishes business in Newtown, Johannesburg
1920	Tiger Brands logo registered
1925	Jungle Oats launched
1944	Tiger Oats and National Milling Company Limited incorporated and listed on the JSE
1982	Barlow Rand (now Barloworld) acquires majority share in Tiger Brands through CG Smith Limited
1993	CG Smith unbundled from Barlow Rand
1998	Tiger Oats acquires ICS Holdings Limited (formerly the Imperial Cold Storage and Supply Company)
1999	Acquires stake in Empresas Carozzí of Chile
2000	Tiger Oats renamed Tiger Brands
2000	Adcock Ingram becomes a wholly owned subsidiary of Tiger Brands and delists from the JSE
2001	Tiger Brands unbundles and separately lists its animal feed and poultry operations into Astral Foods
2004	Tiger Brands unbundles and separately lists Spar
2006	Acquires the sugar confectionery businesses of Nestlé, including Jelly Tots
2007	Expands branded portfolio by acquiring Bromor Foods, with key brands Oros, Energade and Rose's
2008	Unbundles and separately lists Adcock Ingram
2008	Extends African footprint by acquisition of controlling stake in Haco Industries of Kenya and Chococam of Cameroon
2009	Further expands branded portfolio by acquisition of Crosse & Blackwell
2011	Further African expansion by acquisition of interests in the East African Group of Ethiopia, Deli Foods of Nigeria and Davita, a South African exporter of powdered seasoning and beverages
2013	Acquires 63,35% interest in Dangote Flour Mills in Nigeria and the Mrs Ball's trademark

Our vision

To be the most admired branded FMCG company in emerging markets

- Financial performance ahead of category norms
- Leading brands in core categories and geographies
- Positive organisational health and culture
- Leading customer and channel capability
- Strong underpin of future sustainability

Most admired meaning:

- Commercially astute
- Customer centric
- Enterprising
- Professional conduct
- Integrity in our dealings

Our mission

2013 STRATEGIC FOCUS

1. To deliver local volume growth that is 1,5% greater than category growth
2. To drive scale in international territories
3. To deliver real earnings growth that is 2% greater than the South African GDP

Our values – in action

We value our people and treat them with dignity

- Treat our people with care, concern and respect
- Develop, empower and enable our people
- Promote workplace diversity
- Work hard and play hard together
- Help our people thrive

Our consumers are our business

- Produce quality products
- Understand and satisfy our consumers' needs
- Invest in the safety of our products
- Attend to every consumer request or complaint

The new polony cap innovation: consumer centric

We have a passion for excellence

- Value flawless execution
- Zero tolerance for mediocrity
- Act with a sense of urgency
- Deliver on time every time
- Encourage innovative thinking
- Recognise and reward excellence

We continually reinvest in our society

- Respond to the needs of society whenever we can
- Committed to CSI
- Business practices are guided by our desire to sustain our environment

We act with integrity at all times in everything we do

- What we say on the outside is what is on the inside
- Endeavour to never compromise the safety of our consumers
- Endeavour not to do anything that we would be ashamed of if the facts became public

1 144 people trained in competition law compliance training

Corporate strategy

OUR MACRO ENVIRONMENT

South Africa

The group is operating in an increasingly challenging trading environment with FMCG markets feeling the impact of the global economic slowdown and related domestic constraints. Ongoing financial pressures on consumers have contributed to the decreased growth in consumer expenditure, which has in turn affected volume growth and encouraged the trial of cheaper brands. Furthermore, the competitive landscape has intensified, with suppliers and retailers vying for volume growth and market share. This has been exacerbated by the consolidation of the retail trade which has increased the relative strength of the bigger retail groups, leading to increased trade and supply chain costs for suppliers.

The tough trading conditions in the South African market is expected to continue, with the weak Rand and volatile soft commodity prices exerting further pressure on input costs.

International

Tiger Brands' international expansion into the rest of the sub-Saharan Africa region has been largely successful, with rapid urbanisation, strong population growth and a growing middle class presenting a significant growth opportunity for the group. Nonetheless, doing business on the balance of the continent is not without its challenges as the trading environment is increasingly competitive with both local and multinational companies competing for a share of the growth opportunity. Although the region has experienced buoyant growth over the last few years and has outperformed world growth since 2001, it remains vulnerable to the slow economic recovery of the more developed countries. In addition, a lack of infrastructure continues to impede an efficient supply chain in many sub-Saharan African countries and the majority of the population remain relatively poor. Generally, the route to market in many regions remains largely informal; however, modern trade is growing as multinational and local retailers expand the formal retail channels.

Strong GDP growth is expected to continue in the rest of sub-Saharan Africa.

KEY TRENDS TOWARDS 2018

Consumers

Strong population growth is expected to continue across Africa over the next five years, with increasing urbanisation and higher disposable income driving the growth of the middle-income consumer and resulting in improved living standards. Consumer priorities are shifting, with technological advancements and the ongoing penetration of mobile services giving rise to the digital consumer. Consumers are also exhibiting increasing concern for health and wellness which is influencing their spending patterns. With volatile soft commodity pricing and rising input costs affecting food prices in the short term, the value segment is becoming increasingly important.

Customers

The informal sector dominates in many countries in sub-Saharan Africa, however, modern trade is starting to grow in terms of channels and route to market. In more formalised markets such as South Africa, consolidation of the retail trade has increased.

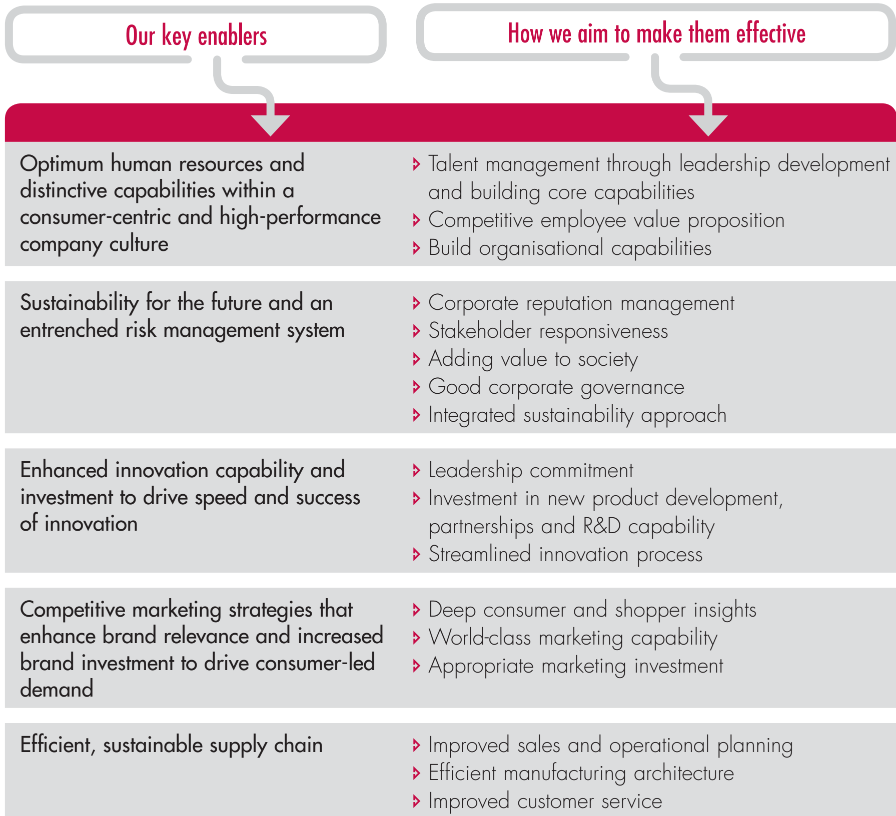
Manufacturers/Suppliers

A rise in trade protectionism is evident worldwide as governments encourage local production and protect trading zones. This is being accompanied by ever stricter regulatory environments, particularly in respect of the protection of the consumer and the physical environment. To achieve competitive pricing, the practice of global sourcing and supply of raw materials and finished goods is expected to increase and a focus on streamlining the value chain will become imperative. In emerging markets specifically, skills shortages will make effective talent management critical for business success.

BUSINESS MODEL
Geographic and new category expansion
Profitable growth and cash flow
Operating leverage
Optimise efficiencies and deliver cost savings
Re-ignite topline and regain market share
Brand investment and innovation
Tiger Brands is in a transitional phase as it moves from being a predominantly South African business to a multi-country business.

Corporate strategy continued

Our strategic thrusts	How we aim to achieve them
Enhance number 1 and 2 category positions through brand building and innovation	› Increased investment in brand support › Step-change in innovation › Build the corporate brand in support of the group's consumer brands › Defend against the growth in private label brands
Compete differently to drive top-line growth in a value-oriented economy	› Focused price:volume management › Differentiated brands with appropriate value expressions › Growth in penetration and consumption
Expand into adjacent/new markets through innovation/greenfields and acquisitions	› Continued expansion in new geographies
Accelerate expansion in emerging markets and optimise/grow current investments	› Drive organic growth in the short term and longer term growth through expansion in current and new categories and markets
Achieve cost leadership to protect margins and increase reinvestment in top-line growth	› Common ERP platform › Centralised finance and procurement shared services › Procurement cost savings › Efficient manufacturing architecture
Establish customer leadership and competitive go-to-market capability	› Enhanced processes and people competencies › Competitive, efficient supply chain › Expanded distribution › Effective promotions
Optimise the business portfolio	› Category contribution › Portfolio evaluation



Our key enablers	How we aim to make them effective
Optimum human resources and distinctive capabilities within a consumer-centric and high-performance company culture	Talent management through leadership development and building core capabilities Competitive employee value proposition Build organisational capabilities
Sustainability for the future and an entrenched risk management system	Corporate reputation management Stakeholder responsiveness Adding value to society Good corporate governance Integrated sustainability approach
Enhanced innovation capability and investment to drive speed and success of innovation	Leadership commitment Investment in new product development, partnerships and R&D capability Streamlined innovation process
Competitive marketing strategies that enhance brand relevance and increased brand investment to drive consumer-led demand	Deep consumer and shopper insights World-class marketing capability Appropriate marketing investment
Efficient, sustainable supply chain	Improved sales and operational planning Efficient manufacturing architecture Improved customer service

Corporate strategy continued

KEY PERFORMANCE BENCHMARKS

	Metric	Target
Financial	Long-term profitable growth	Revenue growth per annum ≥2% above South African GDP plus CPI EBIT margin ≥15% Real (above SA inflation) HEPS growth per annum >2% Turnover from international operations ≥35% contribution by 2018
	Capital market performance	>2% per annum above 30 FINDI index over rolling five-year period
	Return on invested capital/RONA	≥34% (based on WACC of 11,0%, and tax rate of 28%)
	Long-term brand share growth and strong brand equity	Number 1 or 2 in each category Market share ≥ than 10 years ago Brand health score for core brands >60
Leading brands	High level of innovation	10% of total net sales by 2018
	Brand investment for future sustainability and growth	In aggregate, ≥4% of net sales for all core brands by 2018
People	Employer of choice (positive climate and enabling culture)	Achieve number 1 or 2 position, with >3,7 overall score in Deloitte's Best Company to Work For survey
	Retention of key people	Retain 90% of key management Retain 80% of critical talent
Customer	Preferred supplier status	Preferred supplier status in 80% of key customers
	Category leadership	Be category leader in 70% of categories within top five customers
	Service levels	Service levels >95%

Leadership

ETHICAL LEADERSHIP

The board strives to ensure that the company conducts its business with the utmost integrity in all dealings with its stakeholders. The social, ethics and transformation committee reflects and guides Tiger Brands' commitment to responsible corporate citizenship.

The committee is tasked with monitoring Tiger Brands' compliance with relevant social, ethical and legal requirements and best practice codes. It further reports to shareholders on matters that fall within the scope of its mandate. The establishment of the committee brings clearer focus to Tiger Brands' responsibility towards the communities in which it operates on social transformation in the workplace, and on the protection of the safety, health and dignity of employees. (See "Corporate governance", page 68, for more information.)

The group has adopted a Code of Ethics (the Code) which applies to all employees of the group and the board. The purpose and scope of the Code is to:

- promote and enforce ethical business practices and standards in the group;
- reflect the group's policy on ethics which forms part of the key performance indicators of each employee. (An acceptance of employment with the company is deemed to be an acceptance of the principles set out in the Code);
- raise ethical awareness and guide day-to-day decisions;
- support training programmes; and
- assure customers, suppliers and competitors of the integrity of group companies.

The full Code is available on the company website.

Further, to give effect to the tenets of the Code, an independent confidential ethics hotline is in place and all reports received are investigated by the group's commercial audit unit, which investigates and assists in prosecutions when fraud or other breaches of group policy have been identified.

The group is a founder member of the Ethics Institute of South Africa.

No material fines or prosecutions were imposed against the group during the year.

Leadership continued

INDEPENDENT NON-EXECUTIVE DIRECTORS

1. André Parker (62)
Chairman
MCom

André was appointed to the board in 2007. He is a director of Distell Limited and Empresas Carozzí of Chile. He was appointed as Chairman of Tiger Brands with effect from 14 February 2012.

2. Bheki Sibiya (56)
Deputy Chairman
BAdmin, MBA

Bheki was appointed to the Tiger Brands' board in March 2003. He is Chief Executive of the Chamber of Mines, a non-executive director of Famous Brands Limited, Chairman of Cape Africa and PPC Limited, and Executive Chairman of Smartvest Investments.

3. Santie Botha (49)
BEcon (Hons)

Santie was appointed to the Tiger Brands' board in August 2004. She is the Chancellor of the Nelson Mandela Metropolitan University. Santie is a director of Telkom Limited and Liberty Holdings Group Limited, and Chairman of Famous Brands Limited and Curro Holdings Limited.

4. Mark Bowman (47)
BCom, MBA

Mark was appointed to the Tiger Brands' board in June 2012. He is currently Managing Director of the African operations of SABMiller Plc. He previously held the positions of Managing Director of SABMiller Plc's Polish operation, Kompania Piwowarska S.A. and of ABI Limited.

5. Richard Dunne (65)
CA(SA)

Richard joined the Tiger Brands' board in June 2006. He is a director of Anglo American Platinum Limited, AECI Limited and Standard Bank Group Limited.

6. Maya Makanjee (51)
BA Fine Arts, BCom, MBL (cum laude)

Maya was appointed to the Tiger Brands' board in August 2010. She is Chief Officer: Corporate Affairs of the Vodacom Group and was formerly the CEO of FinMark Trust. Maya is also the chairman of the Vodacom Foundation and the World Wide Fund for Nature (WWF).

7. Khotso Mokhele (58)
BSc Agriculture, MSc Food Science, PhD Microbiology

Khotso joined the Tiger Brands' board in August 2007. He serves as Chairman of Adcock Ingram Holdings Limited and Impala Platinum Holdings Limited and is a director of African Oxygen Limited and Zimplats Holdings Limited. Khotso is a trustee of the Hans Merensky Foundation and Chancellor of the University of the Free State.

8. Rob Nisbet (58)
BCom, BAcc, CA(SA)

Rob was appointed to the Tiger Brands' board in August 2010. He was Group Financial Director of MTN Group Limited for 14 years until he resigned to pursue his own interests. Prior to joining MTN Group he was a director of other private and public companies.

9. Makhup Nyama (56)
BCom, MBA, Diploma in Marketing Management

Makhup joined the Tiger Brands' board in August 2010. He is a former Chief Executive Officer of Saab Grintek (Pty) Limited and Deputy Chief Executive of CS Holdings Limited. Makhup is a director of Makhup Properties, Kapela Holdings and Xon Holdings.

Leadership continued

EXECUTIVE DIRECTORS

10. Peter Matlare (54)
Chief Executive Officer
BSc (Hons), MA

Peter was appointed to the group in April 2008. He is a non-executive director of Oceana Group Limited and an independent non-executive director of Absa Group Limited and Absa Bank Limited.

11. Funke Ighodaro (50)
Chief Financial Officer
BSc (Hons), FCA (England and Wales)

Funke was appointed to the group in June 2011. She is an independent non-executive director of Datatec Limited.

12. Clive Vaux (62)
Corporate Finance Director
CA(SA)

Clive was appointed to the Tiger Brands board in 2000. Prior to joining Tiger Brands, he held the positions of group Financial Director of CG Smith Foods Limited and group Financial Director of Reunert Limited.

EXECUTIVE MANAGEMENT COMMITTEE

A. Peter Matlare (54)
See above.

B. Funke Ighodaro (50)
See above.

C. Clive Vaux (62)
See above.

D. Neil Brimacombe (49)
Business Executive: Exports and International (excluding Nigeria) and HPCB
BCom (Hons), MBL

13 years' service with the group. He is a non-executive director of Empresas Carozzi of Chile.

E. Noel Doyle (47)
Business Executive: Grains
FCA, CA(SA)

Noel rejoined Tiger Brands Group in July 2012. He is a non-executive director of Oceana Group Limited.

F. Ian Isdale (63)
Group Company Secretary and legal adviser
BA, LLB, EDP

30 years' service with the group. Non-executive director of Country Bird Holdings Limited.

G. Grattan Kirk (49)
Business Executive: Consumer Brands: Foods
FCA, CA(SA)

Grattan joined the group in July 2013. He was previously the Chief Executive Officer of JD Group Limited. He has 16 years' experience in retail and spent 13 years at Deloitte & Touche.

H. Brenda Koornneef (61)
Group Executive: Marketing and Corporate Strategy
BCom

11 years' service with the group.

I. Alex Mathole (41)
Group Executive: Corporate Affairs
Bluris LLB

Alex joined the group in March 2013. She was previously the Sustainability and Corporate Affairs Director and General Counsel for Siemens (Africa).

J. Matsie Matooane (48)
Group Executive: Human Resources
MIS, MBA

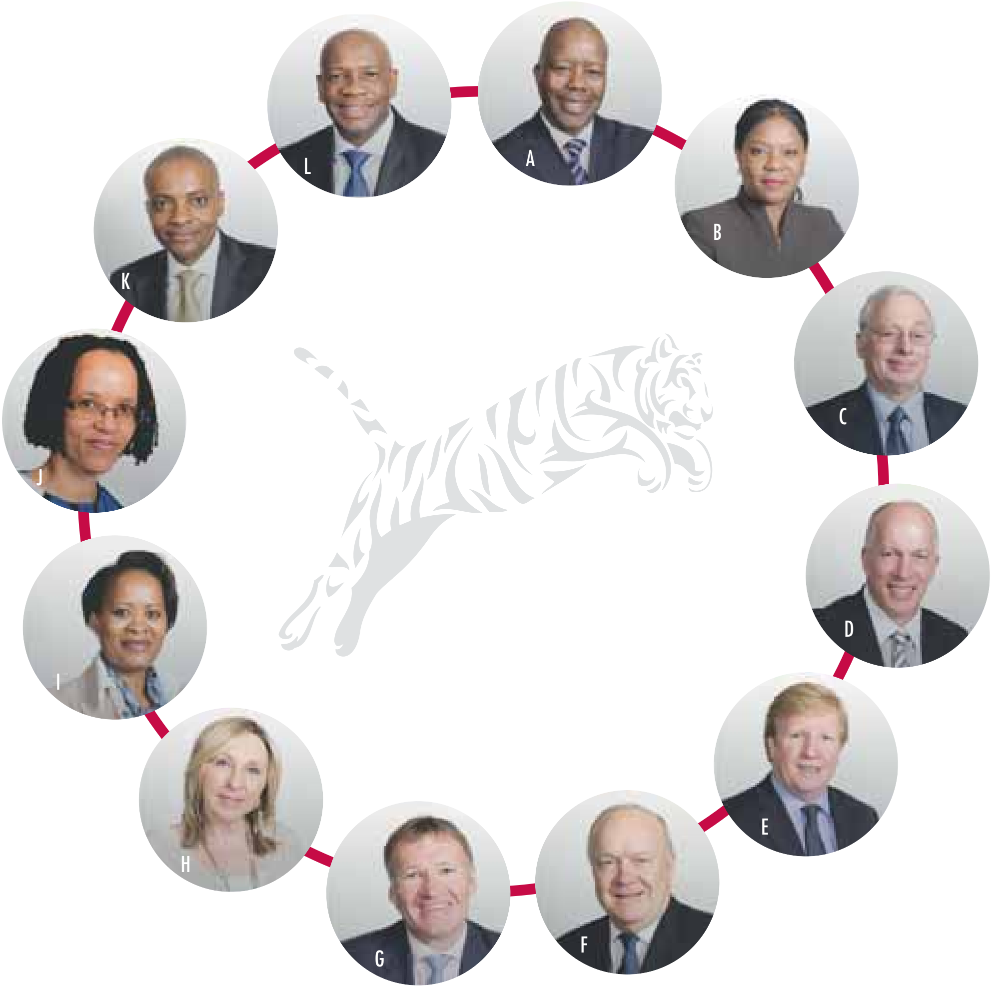
Eight years' service with the group.

K. Thabi Segoale (41)
Business Executive: Nigeria
MSc

Five years' service with the group. Thabi is the Chief Executive of Dangote Flour Mills Limited.

L. Patrick Sithole (46)
Group Supply Chain Executive
BSc Chem Eng

Patrick joined Tiger Brands in August 2012.


A
B
C
D
E
F
G
H
I
J
K
L

Performance review

In this section

Reports to stakeholders	32 – 45
Divisional reviews	46 – 58
Key statistics	59 – 65

Reports to stakeholders

Chairman's **letter to stakeholders**

André Parker

The strategy to expand into the rest of Africa, thus ensuring a more balanced position in emerging markets, is being successfully implemented.

Dear Stakeholders

It is again a privilege for me to report to you on the performance of Tiger Brands for the year ended 30 September 2013.

This Integrated Annual Report will provide you with a clear appreciation of the performance of the group, its strategic positioning, the challenges it faces in the environments in which it operates, its role in society, and ultimately, its long-term sustainability.

Environment

Trading conditions for the year were once again difficult. The challenges facing the global economy have undoubtedly impacted our sphere of operations. In South Africa in particular, the challenges facing the group have been largely driven by the trade-off between the group's ability to recover cost increases through appropriate pricing, and the pressure on consumers to purchase at acceptable price points. The increase in competition through the continued rise in dealer-owned brands and the entry of new competitors, has added to these challenges.

Positioning for growth

The strategy to expand into the rest of Africa, thereby ensuring a more balanced position in emerging markets, is being successfully implemented.

As reported in the last Integrated Annual Report, the group acquired 63,35% of Dangote Flour Mills (DFM) of Nigeria with effect from 4 October 2012. Whilst this company has good assets and a strong market position, the trading performance for the year has, quite frankly, been disappointing, and our management team has been strengthened to

deal with the substantial internal and external factors that stand in our way in unlocking the huge potential of this business. Notwithstanding this disappointing result, substantial progress has been made by our management team and we expect a much improved performance from DFM in the new financial year. Your board remains confident that DFM will add significant scale to our Nigerian businesses in core categories where Tiger has particular strengths. In our view, the potential of the Nigerian market remains undiminished.

With effect from 1 April 2013, the company acquired the Mrs Ball's trademark. Mrs Ball's chutney is a proudly South African product with strong consumer acceptance and brand positioning. We are particularly pleased that we were able to acquire this brand, which has enhanced the already powerful basket of branded food products owned by Tiger Brands. I am confident that we will be able to further build on the success of the Mrs Ball's brand and extend its footprint into new growth areas.

Subsequent to the year end, the group also concluded an agreement to acquire Rafiki Milling and Magic Oven Bakeries, a flour milling and bread baking business in Kenya. This acquisition gives us access to important growth categories in which we have been successful in South Africa. We are sensitive to the particular requirements of the consumer in the East African region and it is our objective to leverage off the experience and success that we have gained through our existing East African operations, Haco Tiger Brands and East African Tiger Brands Industries.

Results

The group achieved headline earnings of 1 624 cents per share for the year ended 30 September 2013, which reflects a decrease compared to the previous year of 3,8%.

There were solid performances in many of our businesses. However, the overall results were significantly affected by the negative contribution from Dangote Flour Mills (DFM). Excluding DFM, the group recorded an increase in headline earnings per share of 5,4%. The detailed performances of the businesses are outlined elsewhere in this Integrated Annual Report.

It will be noted from the divisional review that particularly pleasing performances were achieved by the group's international operations outside Nigeria. This reinforces the validity of the strategic decision to expand the group's spheres of operation into emerging markets. Whilst South Africa remains the bedrock upon which the group is built, the international operations provide us with exponential growth opportunities.

Notwithstanding the tough economic conditions and other challenges encountered by the South African operations, there were some pleasing divisional performances, notably by Snacks, Treats & Beverages, Bakeries, Breakfast cereals, Babycare and Value Added Meat Products. Furthermore, the company's core brands have maintained their market leading positions.

The performance of the Groceries business, however, was a major disappointment. This division faces ongoing margin and volume pressures in an intensely competitive environment. Appropriate steps are being taken to address current shortcomings and put this business back onto a sustainable growth platform.

Corporate social investment

The company is particularly proud of being able to contribute meaningfully to social upliftment in various areas of need in South Africa. The current CSI projects are outlined in detail elsewhere in this Integrated Annual

Reports to stakeholders continued

Chairman's letter to stakeholders continued

Report, and continue to focus on food security, nutrition, education, hygiene and sanitation. We are particularly proud of the work of the Tiger Brands Foundation. It has evolved an integrated model, working effectively with beneficiary schools and government, to provide a wholesome breakfast to approximately 39 000 learners per day in Gauteng, Eastern Cape, Western Cape, KwaZulu-Natal and the Free State.

As a result, some of the tangible benefits in evidence are improved school performance and a reduction in absenteeism. The general well-being and attitude of the learners is truly astonishing and the breakfast programme has become a yardstick by which co-operation between the private sector and government can yield meaningful results.

Management team

Peter Matlare and his executive team have performed well in these challenging times. I am also pleased to report that the executive team has been reinforced in the past year through the addition of Alex Mathole, who is responsible for sustainability and corporate affairs, and Grattan Kirk, who has responsibility for our consumer branded food businesses. Both of these executives bring with them extensive skills and experience that will further enhance the quality of Peter's team.

Outlook

Notwithstanding the disappointing overall financial result in 2013, much progress has been made in positioning and focusing the efforts of the group in order to continue to deliver superior returns for our shareholders in the future.

Although next year is likely to be another difficult year, with little respite from the current economic pressures on consumers, your board is quietly confident that 2014 will see the company returning to a steady and sustainable growth phase, as the impact of our strategic initiatives start to bear fruit.

Appreciation

The board is greatly appreciative of all the relationships that contribute to the ongoing success of Tiger Brands. We acknowledge the efforts of all our employees, suppliers, customers, consumers, government and business partners. Thank you so much!

I am also particularly grateful for the wisdom and valued contribution from my fellow board members in assisting with leading this great company.

André Parker
Chairman
13 December 2013

Chief Executive **Officer's report**

Peter Matlare

Whilst the group has made some important strides in its strategic journey towards building a sustainable platform for future growth, the results for the financial year are disappointing, and reflect a difficult transitionary phase, as the group repositions its domestic business for growth whilst driving expansion on the balance of the continent.

Overview

2013 has been another challenging year for the group. The slowdown in the domestic economy has affected consumer confidence and disposable incomes and this has intensified the competitive landscape. Furthermore, margin pressures on manufacturers have increased due to higher input costs which cannot be fully recovered in pricing. Whilst the group has made some important strides in its strategic journey towards building a sustainable platform for future growth, the results for the financial year are disappointing and reflect a difficult transitionary phase, as the group repositions the domestic business for growth whilst driving expansion on the balance of the African continent. The strategic initiatives outlined in the prior year aimed at regaining volume share in the domestic market are starting to bear fruit; however, in the short term, this has resulted in some margin erosion.

On the international front, the acquisition of Dangote Flour Mills (DFM) with effect from 4 October 2012 represents an important milestone for the group that should deliver solid growth in future. In the short term, however, the integration of the business has been challenging and the acquisition has had a dilutive effect on the group's earnings for the year. As with other acquisitions made on the continent, we expect that it will take two to three years to fully align the DFM operations to Tiger Brands' standards. However, we remain

Reports to stakeholders continued

Chief Executive **Officer's report** continued

confident that this investment in Nigeria, one of the fastest growing economies in sub-Saharan Africa, will deliver to expectations over the medium term.

During the year, the group concluded the acquisition of the iconic Mrs Ball's trademark with effect from 1 April 2013. This much sought-after brand is highly complementary with the rest of our Culinary brands.

Financial review

Group turnover increased by 19,1% to R27,0 billion. Excluding acquisitions, organic growth was 8,4%. Overall volume growth of 0,6% was achieved, with a number of the domestic businesses reflecting pleasing volume growth. The full effect of the input cost inflation experienced during the year, which was exacerbated by volatile soft commodity prices and the weaker Rand, could not be fully recovered in pricing and this negatively affected margins. Excluding acquisitions, operating income before abnormal items was in line with the prior year, at R3,5 billion, with operating margin declining from 15,3% to 14,0%.

Group headline earnings per share fell by 3,8% to 1 624 cents from 1 689 cents. Excluding the dilutory effect of DFM, group headline earnings per share increased by 5,4% to 1 781 cents.

During the year, DFM reached agreement with Dangote Industries Limited, to sell its packaging subsidiary, Dangote Agrosacks, for Naira 7,55 billion (R470 million). This will release much needed funds to reduce DFM's borrowings and enable DFM to invest for growth.

Strategic update

Tiger Brands' overarching objectives are:

- to deliver top-line growth in the domestic business through increased brand support and a step change in innovation; and
- to drive strong profitable growth in its international businesses.

Increased brand support

In the South African operations, Tiger Brands continues to maintain the number 1 or 2 position across most of the categories in which it participates, with a notable market leadership in the Groceries business which holds strong heritage brands such as Koo, All Gold, Crosse & Blackwell and Mrs Ball's. Whilst the group has achieved its top-line growth target for 2013, it has lost volume share in its total basket of products in the domestic market over the last few years due to increased competition. Volume shares have stabilised over the last 12 months through an increased focus on price management and the reduction of price differentials relative to competitors, as volume sensitivity to price has become more pronounced in the prevailing value economy.

Strong marketing campaigns have continued across our key brands in both traditional and new media. However, the economic pressures on market growth and profit margins have

inhibited the group's ability to significantly increase brand support in recent years and, to an extent, brand support has been channelled into price in order to achieve competitive price points, and into additional trade support spend.

In order to deliver sustainable growth in the domestic business, regain market share and compete effectively in what we expect to be a protracted value economy, it is essential that the group further strengthens its brands through increased brand support and a step-change in innovation, thereby building consumer preference and loyalty. A number of strategic projects have been initiated over the last 12 to 18 months aimed at generating cost savings, which will be reinvested in brand support and innovation to drive volume growth. Good progress has been achieved so far, with annualised cost savings expected to materialise in full in the 2015 financial year.

Leading through innovation and renovation

Innovation is the life-blood of any branded FMCG company and, in a turbulent economic environment, it is an important driver of organic growth, necessary to generate sustained, above-average returns. Several innovation and renovation initiatives were launched across our core brands during the year to sustain their contemporary appeal and consumer relevance. These included the launch of the Ace quick-cooking maize meal, a new range of Purity cereals, jellies and custards, Albany Ultima range of health bread, Ingram's lotions, new Koo baked beans flavours, new confectionery chocolate slabs and the All Gold Connoisseurs' range of jams. In addition, the group entered a number of new adjacent categories including the Jungle brand's entry into the ready-to-eat kids breakfast cereal category, with the launch of the Jungle Crunchalot cereal, a new Jungle Berry Oats cereal variant and Rose's entry into sparkling beverage mixers. Several product categories were also relaunched during the year including, Oros Light, Davita new powdered drink variants, Golden Cloud premixes, Bio Classic Fabric Care and the Status deodorant range.

The increased focus on innovation will remain a key theme for the group over the next year, with a number of exciting launches planned.

International expansion

The international businesses have benefited over the years from the group's fix, optimise and grow strategy. Organisational and cultural alignment and integration to Tiger Brands' disciplines and processes have continued. Brand renovation and innovation and the development of core local and pan-African Tiger products have contributed to the strong growth, underpinned by an emphasis on brand investment, product availability and expansion of the regional export footprint. The focus on continuous improvement and efficiencies has also enhanced operating margins of the export and international businesses.

The acquisition of the 63,35% shareholding in DFM has strengthened the group's pan-African expansion strategy. However, profitability has been hampered by operational challenges in the short term. The intensely competitive landscape and lack of differentiated brand value propositions have exacerbated these difficulties, which will require focused attention over the next two to three years.

Reports to stakeholders continued

Chief Executive **Officer's report** continued

The group will continue to drive profitable growth in its international businesses, correcting areas of underperformance and growing organically, as well as through greenfields innovation and appropriate acquisitions and joint ventures.

People

I am pleased to welcome two new executives to the leadership team. Grattan Kirk who has taken over responsibility for the Consumer Brands food businesses, and Alex Mathole who takes over responsibility for corporate affairs and sustainability. Neil Brimacombe has assumed responsibility for the Home, Personal Care and Baby businesses, in addition to his other responsibilities.

The safety of our employees is of paramount importance to us and processes and procedures are in place to ensure a safe and healthy working environment. Unfortunately there were two fatal accidents at our manufacturing units during the year. We extend our sincere condolences to the families of the employee and the contractor who died.

I would also like to extend my sincere appreciation to all our employees who have remained resilient in these difficult times.

Outlook

Trading conditions are expected to remain challenging for the foreseeable future, with the ongoing weakness in the domestic economy affecting consumers, resulting in the further intensification of competition. Margin pressures are likely to persist, due to volatile commodity prices, fluctuating exchange rates and rising energy costs. The continued growth of the value sector of the domestic market is likely to exert further pressure on premium brands.

Notwithstanding these challenges, the group is well positioned to compete more effectively due to the various strategic initiatives already being implemented. The brand preference for Tiger Brands' products remains high and will be strengthened through increased brand investment and innovation.

The performance of DFM is expected to improve over the next year. We are satisfied that DFM is positioned appropriately in the right categories and that solid progress is being made in all key elements of the business.

The remaining international and export businesses are expected to continue delivering good growth.

Peter Matlare
Chief Executive Officer
13 December 2013

Chief Financial **Officer's report**

Funke Ighodaro

The group's various initiatives to improve efficiencies and reduce costs are progressing well, with the consolidation of the group's IT platform expected to be fully implemented by the end of the 2014 financial year.

Consolidated income statements

Highlights for the year ended 30 September

(R'million)	2013	2012	% change
Turnover	27 003	22 677	19,1
Operating income	3 072	3 474	(11,6)
Income from investments	17	20	(15,0)
Net financing charges	(379)	(138)	174,6
Income from associates	515	416	23,8
Abnormal items	(2)	5	–
Profit before taxation	3 223	3 777	(14,7)
Income tax expense	(834)	(1 029)	(19,0)
Profit from discontinued operation	158	–	–
Non-controlling interests	22	(30)	173,3
Attributable to ordinary shareholders	2 569	2 718	(5,5)
EPS (cents)	1 608	1 707	(5,8)
HEPS (cents)	1 624	1 689	(3,8)

Revenue increased by 19,1% to R27,0 billion, assisted by acquisitions, which contributed an amount of R2,3 billion. Excluding acquisitions, revenue grew by 8,4% to R24,6 billion, driven by 0,6% volume growth and pricing inflation of 5,8%. The foreign currency translation effect on the international and export businesses contributed a further 1,9% increase to the growth in group revenue.

Total volume in the domestic businesses were in line with prior year. Notwithstanding volume declines in the Maize, Sorghum Beverages, Groceries and Personal Care businesses, the balance of the businesses reflected solid volume growths of 4,8%, with the Jungle and Rice businesses in particular reflecting very strong volume growth. Overall domestic revenues increased by 6,3% to R20,3 billion.

Reports to stakeholders continued

Chief Financial Officer's report continued

Revenue in the Exports and International businesses (excluding DFM) grew by 21,7% to R4,4 billion, assisted by foreign currency gains of 12,1% and strong volume growth in the Davita and TBI export businesses.

(R'million)	Revenue 2013	Revenue 2012	Revenue % change	Operating income 2013	Operating income 2012	Operating income % change	Operating margin 2013 %	Operating margin 2012 %
Domestic businesses*	20 250	19 043	6,3	2 881	3 023	(4,7)	14,2	15,9
Exports and International	4 424	3 634	21,7	580	451	28,6	13,2	12,4
Group – excluding DFM	24 674	22 677	8,8	3 461	3 474	(0,4)	14,0	15,3
DFM	2 329	–		(389)	–		(16,8)	–
Total group – continuing operations	27 003	22 677	19,1	3 072	3 474	(11,6)	11,4	15,3

**Domestic businesses – operating income stated net of IFRS 2 charges.*

The acquisition of Dangote Flour Mills (DFM) with effect from 4 October 2012 had a significant dilutive effect on the group's results for the year, with operating income declining by 11,6% to R3,1 billion. This was mainly caused by a R389 million operating loss incurred by DFM, which included once-off retrenchment costs and increased stock and bad debt provisions of R85 million.

DFM's performance was also affected by raw material cost push that could not be fully recovered through price increases. In addition, volume pressures arising from strict measures taken to recover long-outstanding customer debts in an industry with significant overcapacity, as well as aggressive pricing by competitors in the Nigerian flour market, negatively impacted DFM's income.

Dangote Agrosacks, DFM's packaging subsidiary which has been earmarked for sale, has been reflected as a discontinued operation and its profit contribution for the year is reflected as a single line item, outside of operating income.

Excluding DFM, operating income for the group was in line with the prior year and the overall operating margins reduced from 15,3% to 14,0%. Operating margins in the Milling, Groceries and Homecare businesses declined because of aggressive market competition and the under-recovery of production overhead costs in the Groceries business. The operating margin in the Rice business was also negatively affected by the pricing-led strategy pursued in order to recover volumes. Operating margins for the balance of the group's businesses remained in line or improved compared to the prior year.

Net financing costs increased from R138 million to R379 million as a result of the group's higher borrowing levels, including underlying debt in DFM of R1,5 billion. The proceeds from the sale of Agrosacks will assist in reducing the overall debt in DFM, which currently bears interest at approximately 15% per annum. The refinancing of the remaining debt in DFM at more favourable interest rates is being explored.

Income from associates increased by 23,8% to R515 million due to increased earnings from Oceana and a 10,1% foreign currency translation effect relating to the international Associates. During the year, the group increased its shareholding in Oceana by 4,5% to 41,9%.

The reduction in the group's effective tax rate from 27,2% to 25,9% is partly due to the replacement of the secondary tax on companies (STC) with the dividend withholding tax with effect from 1 April 2012. The previous year's tax charge included STC of R79 million.

The profit from the discontinued operation of R158 million is stated after a R25,8 million abnormal loss relating to the remeasurement of the carrying value of Dangote Agrosacks' net assets to fair value, equivalent to the agreed disposal price of Naira 7,55 billion (R470 million).

Net profit for the year attributable to ordinary shareholders decreased by 5,5% to R2,6 billion and earnings per share decreased by 5,8% to 1 608 cents. Headline earnings per share, decreased by 3,8% to 1 624 cents.

Excluding the results of DFM and the related acquisition costs, headline earnings per share increased by 5,4% to 1 781 cents and earnings per share increased by 4,6% to 1 785 cents.

Acquisitions

The 63,35% shareholding in DFM was acquired for a purchase consideration of R1,5 billion. DFM operates a flour milling business and owns 99% of Dangote Pasta Limited (which produces and sells pasta products), 90% of Dangote Noodles Limited (which manufactures and sells noodles) and 99% of Dangote Agrosacks Limited (which manufactures and sells packaging products mainly to the former majority shareholder of the group, Dangote Industries Limited). Dangote Agrosacks in turn holds a 75% interest in Obajana Agrosacks Limited, which mainly produces cement bags.

Reports to stakeholders continued

Chief Financial Officer's report continued

In light of DFM's proposed sale of Dangote Agrosacks (DAS), the net assets of DAS have been reflected in the group's closing statement of financial position at 30 September 2013, as held-for-sale and the profits of DAS have been reflected as arising from a discontinued operation.

The group made three other acquisitions during the year. It acquired certain of the Mars sugar confectionery trademarks in South Africa for R10 million with effect from 1 November 2012, and the Mrs Ball's chutney trademarks for R475 million with effect from 1 April 2013. It also increased its shareholding in Oceana Group Limited by 4,5% to 41,9% with effect from 1 March 2013 for a purchase consideration of R314 million.

With effect from 26 September 2013, the group subscribed for additional share capital of US$24,4 million (R243 million) in its associate company, Empresas Carozzí. The subscription was in proportion to its 24,4% shareholding in the company. The capital injection was used to strengthen Carozzí's balance sheet following a number of capital projects to upgrade the company's manufacturing facilities and increase capacity. Since the acquisition of its shareholding in Carozzí in 1999, the group has received dividends equivalent to its initial investment in the company.

Financial position

as at 30 September 2013

(R'million)	2013	2012
Property, plant and equipment	5 499	3 359
Goodwill and intangible assets	5 425	4 012
Investments	3 413	2 655
Current assets (excluding cash)	8 831	7 412
Assets held-for-sale	1 281	–
Total assets	24 449	17 438
Shareholders' equity	12 879	11 303
Non-controlling interests	1 028	393
Total equity	13 907	11 696
Non-current liabilities	693	657
Net debt	4 470	1 182
Current liabilities	4 680	3 903
Liabilities held-for-sale	699	–
Total liabilities and equity	24 449	17 438

Property, plant and equipment increased by R2,1 billion to R5,5 billion, including R1,8 billion recognised on the acquisition of DFM (excluding Dangote Agrosacks' assets treated as held-for-sale). Capital additions of R728 million and foreign currency translation adjustments of R386 million were partially offset by depreciation of R707 million and the disposal of assets with a carrying value of R45 million. The group's capital expenditure of R728 million included replacement capital of R540 million to upgrade the group's manufacturing facilities and IT systems and to drive operational efficiencies. The group's various initiatives to improve efficiencies and

reduce costs are progressing well, with the consolidation and standardisation of the group's IT platform expected to be fully implemented by the end of the 2014 financial year. This will drive savings in the finance and administration functions and enable better leverage of the group's procurement expenditure. Two further major projects to drive efficiencies in the Mayonnaise and HPCB manufacturing facilities will be completed in the 2014 financial year. Once completed, it is anticipated that all of these initiatives should yield annualised savings of approximately R500 million, which are anticipated to materialise in full from the 2015 financial year.

Expansionary capital expenditure of R187 million was incurred in increasing manufacturing capacity across a number of businesses and in driving innovation especially in the Maize and Snacks & Treats businesses.

Goodwill and other intangible assets increased by R1,4 billion to R5,4 billion primarily due to the acquisitions of DFM (R780 million), and the Mrs Ball's trademark (R475 million), as well as foreign currency translation adjustments of R197 million. This was offset by the current year amortisation of trademarks and other intangibles of R47 million and a R3 million write-off of minor Personal Care trademarks no longer in use.

The Mrs Ball's trademark has been determined as having an indefinite useful life.

Investments increased by R758 million to R3,4 billion, mainly because of the additional investments in Oceana (R314 million) and Carozzí (R243 million) as well as the income from associates of R515 million, against which dividends of R301 million were received during the year. The revaluation of listed investments in former subsidiaries, Adcock Ingram Holdings Limited and Spar Group Limited, added a further R52 million to the carrying value of investments, offset by a R65 million reduction in employer controlled pension fund surpluses due to contribution holidays taken by the group during the year.

Current assets reflected in the abridged balance sheet comprise inventory, trade and other receivables as well as tax receivables. The R1,4 billion increase in current assets mainly relates to assets acquired in terms of the DFM acquisition. In addition, overall inventory and debtor balances have increased relative to the prior year due to the increased cost of raw materials and increased trading, compounded by the foreign currency translation movements in respect of the inventory and debtor balances of the international businesses.

Total equity increased from R11,7 billion as at 30 September 2012 to R13,9 billion as at 30 September 2013. Net profit for the year of R2,6 billion and foreign currency translation reserve movements of R497 million were reduced by net dividends paid of R1,4 billion. The DFM acquisition added R541 million to non-controlling interests.

Reports to stakeholders continued

Chief Financial **Officer's report** continued

Financial resources and liquidity

(R'million)	30 Sept 2013	30 Sept 2012
Net debt		
Cash and cash equivalents	633	371
Short-term borrowings	(3 650)	(1 318)
Long-term borrowings	(1 453)	(235)
Net debt	(4 470)	(1 182)
EBITDA	3 760	3 920
Net debt/EBITDA	1,2	0,3
Interest cover	8,2	25,3

Net debt increased from R1,2 billion to R4,5 billion mainly as a result of DFM's underlying debt of R1,5 million as well as additional group borrowings of R1,5 billion.

The group's main source of liquidity for the foreseeable future is expected to be generated from normal operating cash flows. In addition, the group has committed credit facilities in place for general corporate purpose, which at 30 September 2013 amounted to R6,7 billion. The group's net debt to EBITDA ratio of 1,2 times is well below its general borrowing covenant limit of 2,5 times.

The company is satisfied that its financing arrangements are adequate to meet its working capital requirements for the foreseeable future.

Free cash flow

(R'million)	2013	2012	% change
Cash generated from operations#	3 974	3 632	9,4
Capital expenditure	(728)	(480)	51,5
Taxes paid	(986)	(1 058)	(6,8)
Net financing costs	(409)	(118)	246,6
Net dividends*	(1 125)	(1 142)	1,5
Free cash flow	726	834	(12,9)

** Net of dividends received.*
 # Including discontinued operations.

Cash generated from operations increased by 9,4% due to the higher EBITDA contribution (including discontinued operations) and lower working capital increase. The decrease in free cash flow was largely attributable to the higher capital expenditure and increased net financing costs.

Post balance sheet events

The group has concluded an agreement, subject to regulatory approval, to acquire the entire share capital in a flour and a bakery business based in Kenya (Rafiki Mills and Magic Oven) for a total purchase consideration of US$25 million. In addition, subject to regulatory approval, the mandatory offer to minority shareholders of DFM is expected to be concluded by March 2014, with the group acquiring an additional 6,65% interest in DFM for a total purchase consideration of approximately R185 million.

Obligations

Details of the group's contractual commitments as at 30 September 2013 are set out in note 33 to the annual financial statements.

Market capitalisation and final dividend distribution

The company's total market capitalisation (including treasury and empowerment shares) as at 30 September 2013 was R57,3 billion, R5,1 billion higher than in the prior year.

A final dividend of 555 cents per share has been declared for the year ended 30 September 2013. This dividend, together with the interim dividend of 310 cents per share, brings the total dividend for the year to 865 cents per share (2012: 850 cents). This represents a dividend cover ratio of 1,9 times (2012: 2,0 times) based on headline earnings per share. Notwithstanding the slight reduction in dividend cover for 2013, the company intends to maintain its policy of paying an annual distribution based on a headline earnings cover of two times.

Financial risk management

The group is exposed to a range of financial risks through its business activities, including risks relating to the market in which it operates, currency risk, interest rates, soft commodity prices, credit and liquidity risk. The group's exposure to, and the policies for managing these risks are detailed in note 37 of the annual financial statements.

Funke Ighodaro
Chief Financial Officer

13 December 2013

Divisional review

Grains

(R'million)	2013	2012	% change
Turnover (Rm)	9 737	8 854	10,0
Operating income (Rm)	1 633	1 732	(5,7)
Operating margin (%)	16,8	19,6	

Salient features

- Continuing intensification of the competitive environment, with key categories going ex-growth.
- Challenges exacerbated by the significant weakening of the Rand together with soft commodity volatility.
- Strong performance from the Bakery business.

The year under review

The results for the year reflect the ongoing challenges in the markets in which the Grains business operates. The Flour, Maize and Bread categories recorded year-on-year volume declines, exacerbating the margin pressure arising from higher input costs due to the weakening Rand and the considerable volatility experienced in soft commodity pricing.

Despite these category challenges and a particularly difficult year in Milling, the Grains business reflected an overall growth in volumes after several years of decline. In particular, albeit at significantly lower margins, Rice volumes achieved the objective of exceeding the 2011 levels following a significant decline in 2012.

Notwithstanding the positive volume growth EBIT decreased by 5,7% to R1,6 billion and the operating profit margin at 16,8% was lower than the prior year's margin of 19,6%.

Milling and Baking

The most significant contributor to operating income in this segment is the Bakeries business and the year under review saw a pleasing volume growth in a contracting market. Despite considerable pressure on raw material, labour and distribution costs in particular, the Bakeries business produced a strong increase in operating income.

The Flour milling business was able to grow volumes marginally in a contracting market. However, a combination of competitive pressures and the significant increase in raw material costs resulted in significantly lower margins and profitability.

The Maize business saw volumes decrease ahead of the market decline and margins were squeezed in a very competitive environment. The impact on profitability was exacerbated by an unfavourable procurement position at the end of the first quarter.

The Sorghum Beverage business was able to sustain satisfactory profitability notwithstanding the increase in raw sorghum costs and a continuation of the trend of declining volumes. The sorghum porridge offerings (King Korn Mabela and Morvite), as well as Ace Instant posted good earnings growth.

Other Grains

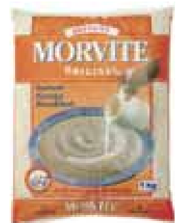
The Rice business reflected a very good volume performance with volumes exceeding the 2011 level as pricing was adjusted to reflect a more realistic premium to other rice origin offerings. This strategy did, however, see a further decline in profitability and operating margins.

In the last quarter of 2013, the Thai Government lowered its levels of support to rice farmers although much of this benefit has been eroded by the depreciation of the Rand. The decline in the premium commanded by Thai rice relative to Indian rice should allow for a modest expansion in margins going forward, notwithstanding the increasing levels of competition in the premium rice segment.

Off the back of several successful innovation launches under the Jungle brand, the Oats business recorded good volume growth and an increase in operating income.

Outlook

The overall market growth expectations for most of our categories remain muted and the recovery of year-on-year increases in input costs remains a challenge. Nonetheless, the positive volume momentum of the past six months and relative stability in soft commodity pricing allows for some cautious optimism. An obsession with enhancing the intrinsic product differentials that are at the very core of our brand positioning, continued focus on relevant innovation and the pursuit of continuous improvement savings will be the businesses' imperatives for the coming year.



Divisional review continued

Consumer Brands

(R'million)	2013	2012	% change
Turnover (Rm)	10 515	10 190	3,2
Operating income (Rm)	1 395	1 522	(8,3)
Operating margin (%)	13,3	14,9	

Salient features

- Disappointing Groceries result
- Solid performance in the balance of the Consumer Brands food portfolio
- Significant progress made in driving innovation and in implementing key supply chain optimisation projects aimed at improved cost competitiveness

FOOD BUSINESSES

The year under review

The trading performance for the year reflects the intensely challenging environment experienced by the Groceries division. This was exacerbated by a number of internal disruptions that are being addressed through a greater operational focus on customer and category management.

The key manufacturing initiatives identified in the prior year to enable greater competitiveness on shelf and to generate cost savings for further innovation and increased brand support, are in progress and scheduled for completion in the 2014 financial year.

The Snacks & Treats, Enterprise and Out of Home businesses achieved strong growth in profitability for the year. However, the overall performance of the Consumer Brands food businesses was negatively affected by a weak Groceries performance, with operating income declining by 10,0% to R951,5 billion.

Groceries

The Groceries business faced very tough trading conditions during the year, with intense pricing competition, higher input costs and volume pressures having a significant negative impact on profitability. Divisional turnover declined by 1,7% to R3,7 billion, while operating income declined by 33,1% to R361 million. This poor performance was primarily caused by volume pressures that arose from widening price differentials relative

to aggressive competitor pricing, as well as higher input costs which could not be fully recovered in pricing. The business experienced market share declines across all categories as well as further margin compression due to the increased investment in pricing promotional marketing activity aimed at driving volume recovery. The financial performance for the year was also affected by once-off costs of R44,7 million relating to certain extraordinary stock write-offs and unfavourable variances.

The business has heightened its focus on the containment of costs and the close management of pricing differentials. As part of the strategic cost-saving initiatives announced by the group earlier in the year, the business embarked on two key supply chain optimisation projects, to consolidate certain of its manufacturing facilities at sites located closer to the raw materials supply sources, thereby resetting the cost base for certain product lines. The new manufacturing plant for tomato products was commissioned in Musina at a cost of R49 million and commenced operations in August 2013, with the full targeted cost savings expected to materialise in the 2014 financial year. The relocation and establishment of a new mayonnaise manufacturing facility in Gauteng has commenced and is due for completion in July 2014 at a total cost of R204 million, with the full projected cost savings expected to materialise in the 2015 financial year. These projected savings should drive improved competitiveness on shelf and generate savings to support further innovation and brand investment.

The business has also been restructured to achieve greater category and customer focus and to ensure brand leadership through innovation, which is critical to sustaining the culinary brands' premium positioning. During the year, the business successfully launched new flavour variants and pack formats in the baked beans, mayonnaise and peanut butter categories to drive consumption growth and successfully extended its All Gold brand into the hot sauces market. With effect from 1 April 2013, the group acquired the iconic Mrs Ball's brand, which holds the market-leading position in the Chutney market, thereby extending the group's participation in all the major segments within the Condiments and Ingredients category.

Snacks & Treats

The Snacks & Treats business achieved a solid performance for the year, driven by pleasing volume growth and a favourable sales mix, as well as strong operational leverage resulting from manufacturing cost efficiencies. Turnover increased by 9,2% to R1,9 billion and operating income increased by 13,9% to R304 million, notwithstanding higher input costs particularly in the second half. The business continues to focus on cost reduction initiatives and new product innovation, which contributed to the positive results for the year.

Divisional review continued

Consumer Brands continued

Following a successful relaunch of Beacon slabs, the business achieved strong volume growth in the chocolate category. Innovation was also achieved in the sugar confectionery category with the launch of Oros Pops and Fizzpop Sours and will be further enhanced through the R160 million capital investment in a new gums and jellies capacity due to be commissioned in 2014.

Beverages

The Beverages business achieved top-line volume growth for the year, which was primarily driven by the Oros, Rose's and Superjuice brands. However, sales mix and profitability were negatively affected by short-term supply issues relating to Energade, stemming from the changes in the manufacturing architecture implemented during the year. Turnover increased by 3,0% to R1,0 billion whilst operating income increased by 5,8% to R107 million, with non-recurring restructuring costs of R4,7 million incurred during the year.

The liquid concentrates category continues to reflect growth, although the growth is driven primarily by the lower value dairy fruit blend segment. Oros Original and Oros Flavours continue to drive volume growth in the squashes and cordials segment, with the newly launched Oros Lite gaining market share. Competitive pricing pressures in the sports drink and liquid concentrates markets are expected to continue into the foreseeable future.

The business continues to drive awareness through its various sponsorship arrangements with, *inter alia*, the Springboks, Absa Cape Epic, the Comrades Marathon and the South African Football Association.

In order to improve efficiencies and achieve cost savings, the Beverages business has consolidated its triple-factory manufacturing configuration into a single factory with the closure of the Salt River and Phoenix factories and the upgrade of the manufacturing plant at Roodekop, which became operational in October 2013. The business continues to focus on profitable volume growth and new product innovation.

Enterprise

Despite a slowdown in the overall value-added meats category, the Enterprise business grew in both volume and value terms within its core segments, benefiting from various strategic

initiatives implemented in the prior year. Turnover for the year increased by 9,3% to R1,6 billion and operating income by 11,2% to R103 million notwithstanding higher input costs and increased marketing spend ahead of CPI.

Brand investment and product innovation are key strategic thrusts central to building pricing power into the brand in the long term. Manufacturing costs have been tightly controlled and the business changed its distributor during the current year. This move should result in an expanded distribution of the division's products.

Out of Home

The Out of Home business posted very pleasing results for the year, increasing turnover by 14,9% to R403 million and operating income by 17,9% to R80 million. This was driven by strong Christmas and Easter festive season buy-ins by distributors, increased hamper business as well as the signing of new franchise and contract catering customers.

Outlook

Intense competition and the ongoing financial pressures on consumers are likely to result in muted volume growth and pricing pressures over the coming year. The key focus for the Consumer Brands Food businesses is to maintain and/or grow volume shares, while competing effectively and profitably in the prevailing value-driven cycle. Accordingly, it is imperative for the division to continue driving continuous cost improvement initiatives and successfully execute the key capital investment projects aimed at reducing the cost base on key product lines, whilst enhancing innovation and strengthening the core brands through increased marketing support.

HOME, PERSONAL CARE AND BABY (HPCB)

The HPCB business delivered a modest top-line performance, which translated into a slightly contracted operating profit for the year. The highly competitive market environment continued into 2013, with increased levels of innovation, brand investment and aggressive pricing.

The Home Care business was positively impacted by the Pest category, driven by a better pest season. The Fabric Care category came under significant pressure due to a new multinational entry. Within Personal Care, volumes have shown declines in all key categories. This was the result of certain categories contracting, aggressive competitor activities, supply constraints on key brands and product rationalisation.

The Baby category continues to perform well despite competitive pressures in the jarred baby food category. Innovation in this sector has gained traction and we continue to introduce new products and category extensions.

HPCB grew top line by 0,6% to R1,9 billion, whilst operating income reduced by 3,2% to R439 million.

Divisional review continued

Exports and International (excluding Nigeria)

(R'million)	2013	2012	% change
Turnover (Rm)	3 944	3 244	21,6
Operating income (Rm)	575	459	25,3
Operating margin (%)	14,6	14,1	

Salient features

- Strong performance across all international businesses
- Fix, optimise and grow strategy well entrenched
- Market penetration and brand visibility initiatives gained traction
- Weakening Rand benefited exports

Kenya: Haco Tiger Brands (51% held by Tiger Brands)

Haco Tiger Brands recorded pleasing performances across its key categories despite a subdued trading environment pre and post the Kenyan general elections in March 2013. The company continues to successfully pursue its regional exports growth strategy in East Africa with key markets being Tanzania, Uganda and Ethiopia.

A recovery in the domestic stationery market and continued growth in the export market were the key drivers of current year performance. The company continues to aggressively pursue its innovation strategy and during the year under review, launched key new innovations into the Kenyan market. Investment behind its core brands was also stepped up in the current year.

The company's focus on driving operational efficiencies resulted in pleasing margin expansion.

Despite its strong performance, the company faces ongoing challenges as the prevalence of counterfeit products and cheap imports has increased.

Cameroon: Chocolaterie Confiserie Camerounaise (Chococam) (74,7% held by Tiger Brands)

Chococam continues to deliver excellent growth across all its key categories in both domestic and export markets. Political tensions in the Central African Republic curtailed exports to this region. However, the company has recorded strong growth in its exports to Chad and Gabon.

The company maintained its leading market share positions in spreads, chocolate, candies and gums despite heightened competitor activities in these categories. This was achieved through sustained investment behind its core brands, compelling new product launches and key consumer and channel activations across its key categories.

The softening of cocoa and sugar prices coupled with robust cost management initiatives has helped the company expand its operating margin.

With its strong cash generation, stringent cost management and improved customer service levels, Chococam is well positioned for continued growth in 2014.

Ethiopia: East African Tiger Brands Industries (EATBI) (51% held by Tiger Brands)

EATBI has delivered strong results for the year, despite ongoing challenges across the supply chain. A shortage of foreign currency in Ethiopia, delays in customs clearing, regulatory inconsistencies and telecommunication challenges were just some of the issues faced by the business during the year.

The strong overall performance was driven mainly by excellent growth achieved in the higher margin Home and Personal Care categories, which is expected to continue into 2014. Its leading positions in laundry soaps and detergents were maintained during the year, despite sustained competitor activity in the form of cheap imports.

The company has made significant progress in upgrading its facilities since its acquisition in 2011. The alignment to Tiger Brands standards is ongoing with significant progress recorded in the current year.

The company's strong performance is expected to continue into 2014.

Tiger Brands International: Langeberg & Ashton Foods (L&AF)

L&AF is one of the largest producers of canned fruit and fruit purees globally and exports approximately 85% of its output, predominantly to developed markets.

Divisional review continued

Exports and International (excluding Nigeria) continued

Global markets for canned deciduous fruits remained challenging in 2013. L&AF volumes declined marginally during the period in the face of intensely competitive pricing, particularly from European-based producers.

Notwithstanding this, operating profit grew by 59,5% partly assisted by the weak Rand.

A further R25 million capex was invested in the business in productivity improvements, and coupled with the continued review of low-margin and unprofitable contracts saw a pleasing improvement in gross margins.

The business cost structure continues to be reviewed with a particular emphasis on prime costs. These benefits are expected to flow through to 2014.

Tiger Brands International: Exports

The export business enjoyed another successful year on the back of several consecutive years of sustained growth. Strong volume growth was achieved with excellent performances, in particular, from Zambia, Zimbabwe and Mozambique.

Margins have compressed slightly against the need to maintain relative price points in key markets, as a consequence of Africa's growth potential continuing to attract new entrants across all territories.

The Export division continues to play a strong feeder and development role for our chosen categories and brands as it successfully drives market penetration in both existing and new geographies.

Tiger Brands International: Davita

Davita enjoyed a successful year and continues to deliver in line with expectations. Double-digit volume growth in quarters 2, 3 and 4 was particularly pleasing off the back of a slow start to the year due to some initial labour disruptions. Noteworthy volume performances were delivered in Southern and West Africa in particular.

The business has been successfully integrated into the Tiger Brands stable, with the associated throughput and manufacturing efficiency programmes enabling the business to compete effectively in key markets.

Market penetration and brand visibility programmes continue to gain traction and build brand awareness and presence.

Capital expenditure on a significant factory upgrade was approved in 2013 and execution against this is now under way.

Prospects for the business remain promising, and growth will be pursued through innovation, increased marketing and further penetration in selected territories.

Outlook

The overall market conditions for Tiger Brands International remain reasonably positive. Continuing to expand our category participation, driving the product availability and visibility agenda, hitting key price points to ensure affordability and delivering the requisite in-country innovation are all key management thrusts.

Nigeria

(R'million)	2013	2012
Turnover (Rm)	2 809	390
Operating income (Rm)	(384)	(8)
Operating margin (%)	(13,7)	(2,1)

Salient features

- DFM acquisition concluded in October 2012
- Disappointing results overall
- Integration process on track with improvements in back-end support
- Revenue growth and improved profitability remain the foremost deliverables for the year ahead

Nigeria: Dangote Flour Mills (63,35% held by Tiger Brands)

The acquisition of the 63,35% shareholding in Dangote Flour Mills (DFM) was concluded in October 2012. The focus since the acquisition has been on the integration and consolidation of the business, which has involved fixing a number of key elements of the business' delivery platform.

The operating model of the business has been reconfigured and demand creation and fulfilment are now managed separately in respect of each of the categories of Flour, Pasta and Noodles. The support functions have been consolidated onto common platforms. This has improved management focus across the multiple business units as well as facilitated the leverage of the group's scale in respect of the procurement of materials. In addition, it has enabled the elimination of duplicated resources and positioned the business for improved efficiencies into the future.

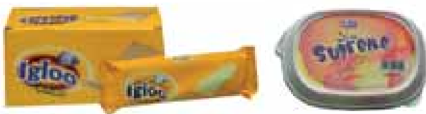
Much progress has also been made in aligning the flow of incoming raw materials to market demand, improving manufacturing efficiencies to enhance product quality and consistency as well as in adapting the logistics infrastructure to improve customer service levels. Amending the platform also involved the rationalisation of staff numbers, particularly in the manufacturing units, in order to right-size the business and cost base.

Divisional review continued

Nigeria continued

Major interventions were also implemented to enhance the business' internal control environment. The internal audit function has been outsourced to KPMG and the group's risk management framework is being implemented. The final intervention involving the implementation of an integrated ERP system is in progress and will be completed during the current financial year.

Initial market research has been completed to establish both quantitative and qualitative information on the position of DFM's brands and product propositions across the various categories. A thorough review of the facilities has also enabled the development of a medium term plan for investment required to de-risk the business where appropriate, ensure continued improvement in efficiencies and to enable revenue growth opportunities. Significant effort was also invested in up-skilling staff and enhancing the workplace environment. These initiatives will be progressed further during the 2014 financial year as part of strategy to build a stable business platform that will deliver sustainable returns for the medium to long term.



Revenue growth and improved profitability remain the foremost deliverables for the year ahead. Broadening the market universe and further improvements in the outbound logistics infrastructure are key thrusts towards achieving the turnaround in the business' financial performance.

Nigeria: Deli Foods (100% held by Tiger Brands)

Following a disappointing performance during the previous year, the operating platform for the business of Deli Foods has remained stable during the year. Plant and equipment that were limiting the performance of the business were improved through major maintenance interventions. Capital investment was also approved for the introduction of production flexibility in order to improve capacity of the existing lines.

In addition, capital has been committed for the installation of a new line which will be commissioned during the first half of 2015.

The prospects for the business remain exciting given the size of the biscuit category as well as the opportunities for growth through identified product differentiation opportunities. In addition, the business has significant headroom for future growth through broadening market universe and increased product penetration.

Associates

Share of income after tax from Associates

(R'million)	2013	2012	% change
Oceana Group	249	198	25,8
Empresas Carozzi	187	153	22,2
UAC Foods	41	35	17,1
National Foods Holdings	38	30	26,7
	515	416	23,8

Oceana (41,9% held by Tiger Brands)

Oceana is a leading fishing company listed on the Johannesburg Stock Exchange in which Tiger Brands increased its shareholding interest by 4,5% during the year. Its headline earnings per share for the year ended 30 September 2013 increased by 7% when compared to the previous year. Earnings per share increased by 10%. A significantly improved performance in the Horse Mackerel, Hake and Commercial Cold Storage businesses was diluted by a reduction in profitability in the Canned Fish, Fishmeal and Fries businesses.

The operating income from Canned Fish declined due to lower volumes in the second half of the year relative to the comparative prior period, as well as lower margins on imported product following the depreciation of the Rand. The decline in volumes was a factor of the trade destocking and a more challenging consumer environment in the broader protein category.

The Fishmeal and Fish Oil business sustained a significant loss for the year as a consequence of landings of anchovy and red eye being at a 50-year low in the reporting period, largely due to unfavourable environmental conditions.

Horse Mackerel and Hake delivered significant growth in profitability, driven by good catch rates, firm pricing and in the case of Hake, the acquisition of the Lusitania Hake business.

Despite recording a loss for the full year, the French Fries business returned to profitability in the second half of the year. The Commercial Cold Storage business grew operating income significantly as a consequence of improved and consistent occupancy levels as well as additional capacity secured in the previous year.

Nigeria: UAC Foods (49,0% held by Tiger Brands)

The key focus for the year under review was on the implementation of additional capacity and new capabilities to improve efficiencies. Significant capital expenditure was invested towards doubling the capacity for snacks manufacturing and increasing both the end-of-line packing efficiencies and capacity for spring water production. In addition, further consumer research was conducted in order to identify opportunities for product innovation to drive future growth.

Continued progress in growing the contribution of the spring water and dairies categories as a percentage of total turnover was achieved, whilst the snacks business' volumes continued to grow.

Divisional review continued

Associates continued

Growth in volumes for the year under review was slower, influenced by an intensely competitive environment. The additional capacity that has been introduced further enables the drive for innovative products that will be a key vector for stimulating both volume and value growth. The prospects for the business remain positive and will be further supported by opportunities for increased penetration in both current and new geographies.

Zimbabwe: National Foods Holdings (37,4% held by Tiger Brands)

National Foods is a leading branded food company operating in Zimbabwe through an infrastructure of factories, depots and agencies. The company posted another significant increase in profit growth for the year underpinned by increased capacity utilisation as its strategy to fix, optimise and grow gained traction in all categories.

The devaluation in the South African Rand during the year has enabled the importation of finished goods as these products can now more easily compete with locally manufactured products. In addition to the ongoing improvements in manufacturing processes, the Zimbabwean food manufacturing industry requires an increase in domestic cereal production in order to compete fully with the finished imported products.

Chile: Empresas Carozzí (24,4% held by Tiger Brands)

Empresas Carozzí is a leading branded food business in South America, based in Chile. It also has manufacturing operations in Peru.

The year under review was satisfactory at a consolidated level with a very strong domestic performance being partly offset by disappointing performances in the Agro-Industrial (poor crop) and International (exchange rate) divisions. The effect of the protracted late seasonal frosts has had a devastating impact on the region's deciduous fruit crops which will also affect the 2014 year.

The pleasing Chilean performance was characterised by an exceptional performance in the Petfood business, as well as solid performances from Biscuits, Confectionery and Cereals.

The overall positive outlook for the Chilean economy, coupled with a sustained high innovation rate in 2013 and associated brand investment off the back of the capacity expansion work completed in the first half of 2013, sets this business up for continued good growth.

Key statistics

DEFINITIONS

Term	Definition
Headline earnings per share	Headline earnings divided by the weighted average number of ordinary shares in issue during the year (net of treasury and empowerment shares).
Dividend cover	Headline earnings per share divided by the total ordinary dividend per share for the year, comprising the interim dividend paid and final dividend declared post-year end. Where applicable the denominator includes any capital distribution paid out of share premium. For 2010 the dividend cover includes once-off empowerment transaction costs in headline earnings.
Net worth per ordinary share	Interest of ordinary shareholders after deducting the cost of treasury and empowerment shares divided by the number of ordinary shares in issue at the year end, excluding treasury and empowerment shares.
Asset turnover	Turnover divided by the average of net assets, excluding cash resources, short-term and long-term borrowings, taxation, shareholders for dividends and the carrying value of investments, at the beginning and end of the financial year.
Working capital per R1 000 revenue	The average of inventory and receivables less payables, excluding dividends payable to shareholders and taxation, at the beginning and end of the financial year divided by turnover (R'000).
Operating margin	Operating profit as a percentage of turnover.
Abnormal items	Items of income and expenditure which are not directly attributable to normal operations or where their size or nature are such that additional disclosure is considered appropriate.
Effective taxation rate	Taxation charge in the income statement as a percentage of profit before taxation.
Return on equity	Profit attributable to ordinary shareholders excluding abnormal items divided by issued capital and reserves.

Key statistics continued

DEFINITIONS continued

Term	Definition
Return on average net assets employed	Operating profit as a percentage of the average of net assets, excluding cash resources, short-term and long-term borrowings, taxation, shareholders for dividends and the carrying value of investments, at the beginning and end of the financial year.
Current ratio	Ratio of current assets to current liabilities.
Net interest cover	Operating profit plus dividend income divided by net finance costs.
Net funding	Capital and reserves, non-controlling interests and long-term and short-term borrowings net of cash.
Net debt	Short-term borrowings and long-term borrowings, less cash and cash equivalents.
Total liabilities	Long-term borrowings and current liabilities.
Total equity	Total equity includes ordinary share capital and share premium, less treasury shares and shares held by empowerment entities, plus reserves and non-controlling interests.
Cash flow to net liabilities	Cash generated from operations after interest and taxation as a percentage of total liabilities less cash resources.
Dividend yield	Dividends and capital distributions as a percentage of year end market price per share.
Earnings yield	Headline earnings per share as a percentage of year end market price per share.
Price:earnings ratio	Year end market price per share as a multiple of headline earnings per share.

FIVE-YEAR REVIEW

for the year ended 30 September 2013

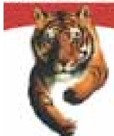
(R'million)	2013	2012	2011	2010	2009[2]
Consolidated income statements					
Revenue	**27 065**	22 771	20 479	19 378	20 643
Profit before taxation, income from associates and abnormal items	**2 710**	3 356	3 200	2 951	2 909
Income from associates	**515**	416	265	252	204
Abnormal items	**(2)**	5	127	(188)	344
Profit before taxation	**3 223**	3 777	3 592	3 015	3 457
Taxation	**(833)**	(1 029)	(1 014)	(840)	(978)
Profit for the year from continuing operations	**2 390**	2 748	2 578	2 175	2 479
Attributable to:					
Owners of the parent[3]	**2 509**	2 718	2 584	2 192	2 444
Non-controlling interests[3]	**(119)**	30	(6)	(17)	35
Consolidated statements of financial position					
Property, plant and equipment	**5 499**	3 359	3 317	2 586	2 203
Goodwill and Intangible assets	**5 425**	4 012	3 826	1 986	1 669
Investments	**3 413**	2 655	2 360	1 717	1 510
Current assets	**9 464**	7 783	6 693	6 695	6 237
Assets classified as held-for-sale	**1 281**	–	–	–	–
Total assets	**25 082**	17 809	16 196	12 984	11 619
Issued capital and reserves before share-based payment reserve	**12 514**	10 970	9 562	8 064	6 850
Share-based payment reserve	**364**	332	298	252	134
Non-controlling interests	**1 028**	393	385	285	301
Deferred taxation liability	**261**	250	300	123	98
Provision for post-retirement medical aid	**433**	407	377	351	326
Long-term borrowings	**1 453**	235	537	404	483
Current liabilities	**8 330**	5 222	4 737	3 505	3 427
Liabilities classified as held-for-sale	**699**	–	–	–	–
Total equity and liabilities	**25 082**	17 809	16 196	12 984	11 619
Consolidated cash flow statements					
Cash operating profit after interest and taxation	**2 915**	3 048	2 686	2 608	2 233
Working capital changes	**(337)**	(592)	(173)	(113)	(471)
Dividends received	**301**	176	152	131	79
Cash available from operations	**2 879**	2 632	2 665	2 626	1 841
Dividends and capital distributions paid[1]	**(1 426)**	(1 318)	(1 230)	(1 180)	(1 259)
Net cash flow from operating activities	**1 453**	1 314	1 435	1 446	582
Net cash flow from investing activities	**(3 282)**	(732)	(2 914)	(1 100)	172
Net cash flow before financing activities	**(1 829)**	582	(1 479)	346	754
Net cash flow from financing activities	**426**	(297)	(96)	1	100
Net cash flow from discontinued operation	**–**	–	–	–	290
Net (decrease)/increase in cash and cash equivalents	**(1 403)**	285	(1 575)	347	1 144

Notes

1. Includes capital distribution of R372,7 million in 2011 and R1 155,4 million in 2010.

2. Excluding Sea Harvest, which was sold on 28 May 2009.

3. From continuing operations.



Key statistics continued

SEGMENT REPORT

for the year ended 30 September 2013

(R'million)	Turnover[1] 2013	Turnover[1] 2012	Operating income[2] 2013	Operating income[2] 2012	Depreciation and amortisation 2013	Depreciation and amortisation 2012
DOMESTIC OPERATIONS	20 250,7	19 043,0	2 881,6	3 023,3	364,7	361,1
Grains	9 736,6	8 854,0	1 632,7	1 731,7	128,8	112,4
Milling and Baking[3]	7 243,3	6 681,9	1 396,2	1 472,9	119,6	102,5
Other Grains[4]	2 493,3	2 172,1	236,5	258,8	9,2	9,9
Consumer Brands	10 515,0	10 190,1	1 395,2	1 522,2	200,0	201,4
Groceries	3 706,6	3 771,7	360,9	539,1	107,3	101,2
Snacks & Treats	1 924,0	1 762,2	304,1	266,9	37,5	40,6
Beverages	1 020,3	990,3	107,4	101,4	14,8	17,6
Value Added Meat Products	1 584,4	1 450,2	103,0	92,6	29,2	29,9
Out of Home	402,7	350,6	80,4	68,2	–	–
HPCB	1 877,0	1 865,1	439,4	454,0	11,2	12,1
Personal Care	582,7	625,0	141,0	156,4	4,7	5,5
Babycare	717,0	658,7	206,8	183,1	0,9	1,0
Homecare	577,3	581,4	91,6	114,5	5,6	5,6
Domestic intergroup sales	(0,9)	(1,1)		–		–
Other[5]	–	–	(146,3)	(230,6)	35,9	47,3
Exports and International	3 944,0	3 244,0	574,8	459,0	53,6	60,3
Exports	1 521,7	1 264,7	366,4	313,2	10,3	10,3
International operations*	1 239,6	976,5	166,3	119,4	29,1	38,8
Deciduous Fruit	1 324,5	1 130,0	42,1	26,4	14,2	11,2
Other intergroup sales[6]	(141,8)	(127,2)	–	–	–	–
Nigeria	2 808,8	390,0	(384,0)	(8,0)	269,2	23,7
Total from continuing operations	27 003,5	2 677,0	3 072,4	3 474,3	687,5	445,1
Discontinued operation	1 087,8	–	196,9	–	66,7	–
TOTAL	28 091,3	22 677,0	3 269,3	3 474,3	754,2	445,1

*Excludes Nigerian businesses as these are shown in their own segment. Comparatives restated accordingly.

Notes

[1] Refer to note 3 of the financial statements for further information on geographical split.

[2] Operating income is stated after amortisation of intangible assets.

[3] Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.

[4] Comprises rice and oat-based breakfast cereals.

[5] Includes the corporate office and management expenses relating to international investments. Also included are IFRS 2 charges relating to the Phase I and II Black Economic Empowerment transactions of R31,1 million (2012: R35,6 million) and the cash-settled options of R91,2 million (2012: R142,1 million).

[6] All segments operate on an arm's length basis in relation to intersegment pricing.

(R'million)	Total assets 2013	Total assets 2012	Accounts payable, provisions and accruals and taxation 2013	Accounts payable, provisions and accruals and taxation 2012	Capital expenditure 2013	Capital expenditure 2012
DOMESTIC OPERATIONS	14 840,8	13 526,8	3 231,2	3 433,4	546,5	411,7
Grains	4 499,8	4 954,0	999,4	1 069,3	121,7	217,1
Milling and Baking[1]	3 503,7	3 826,0	705,2	707,0	116,7	206,1
Other Grains[2]	996,1	1 128,0	294,2	362,3	5,0	11,0
Consumer Brands	8 468,4	7 746,2	1 674,9	1 574,3	384,7	165,9
Groceries	3 574,2	3 080,7	614,9	579,4	227,2	101,0
Snacks & Treats	860,0	717,6	347,5	312,3	55,5	25,7
Beverages	1 582,8	1 577,7	158,2	178,6	64,0	11,2
Value Added Meat Products	1 023,9	1 017,3	237,8	246,4	30,4	24,5
Out of Home	–	–	0,4	0,4	–	–
HPCB[4]	1 427,5	1 352,9	316,1	257,2	7,6	3,5
Other – FCMG[3]	1 872,6	826,6	556,9	789,8	40,1	28,7
Exports and International	4 614,0	4 282,7	620,8	433,5	89,1	58,2
Exports	2 327,7	2 147,6	120,6	79,6	4,4	1,7
International operations*	1 302,4	1 294,2	332,4	217,1	61,7	33,9
Deciduous Fruit	983,9	840,9	167,8	136,8	23,0	22,6
Nigeria	4 345,8	–	828,1	37,4	48,5	10,4
Classified as held-for-sale/discontinued operations	1 280,7	–	491,3	–	43,5	–
TOTAL	25 081,3	17 809,5	5 171,4	3 904,3	727,6	480,3

**Excludes Nigerian businesses as these are shown in their own segment. Comparatives restated accordingly.*

Split of non-current assets	2013	2012
South Africa	5 322,0	6 737,6
Outside South Africa	5 601,3	633,7
TOTAL	10 923,3	7 371,3

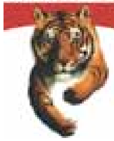
Notes

[1] Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.

[2] Comprises rice and oat-based breakfast cereals.

[3] Includes the corporate office.

(R'million)	2013	2012
Reconciliation of total assets		
Total assets per statements of financial position	25 219,5	17 853,4
Deferred taxation asset	(138,2)	(43,9)
	25 081,3	17 809,5



Key statistics continued

VALUE ADDED STATEMENT

Value added is a measure of the wealth the group has been able to create. The following statement shows how this wealth has been distributed.

(R'million)	2013	%	2012	%
Turnover	27 003,5	100,0	22 677,0	100,0
Less: Net cost of products and services	19 985,1	74,0	16 114,3	71,1
Value added	7 018,4	26,0	6 562,7	28,9
Add: Income from investments and associates	552,7	2,0	488,4	2,2
Wealth created	7 571,1	28,0	7 051,1	31,1
Applied to:				
Employees				
Salaries, wages and other benefits	2 860,2	37,8	2 530,1	35,9
Providers of capital	1 825,5	24,1	1 509,2	21,4
Interest on borrowings	399,4	5,3	191,0	2,7
Dividends and capital distributions to non-controlling interests and preference shareholders	9,9	0,1	4,1	0,1
Dividends to ordinary shareholders	1 416,2	18,7	1 314,1	18,6
Government				
Taxation (refer note 1)	1 346,1	17,8	1 189,1	16,9
Retained in the group	1 539,3	20,3	1 822,7	25,8
	7 571,1	100,0	7 051,1	100,0
Note 1				
Income taxation (excluding deferred tax)	942,7		1 080,5	
Skills development levy	15,7		17,5	
Rates and taxes paid to local authorities	29,1		27,7	
Customs duties, import surcharges and excise taxes	358,6		63,4	
Gross contribution to government	1 346,1		1 189,1	

The payments to government exclude taxation deducted from employees' remuneration of R325,8 million (2012: R285,8 million), net VAT of R422,1 million (2012: R133,3 million), excise duty on revenue and UIF payments.

(R'million)	2013	%	2012	%	2011	%	2010	%	2009	%
Trend of value added										
Employees	2 860,2	38	2 530,1	36	2 241,1	36	2 151,9	37	2 338,9	37
Providers of capital	1 825,5	24	1 509,2	21	1 313,8	21	1 305,3	22	1 697,3	27
Government	1 346,1	18	1 189,1	17	1 082,6	17	881,6	15	1 030,3	16
Retained in the group	1 539,3	20	1 822,7	26	1 603,4	26	1 492,4	26	1 273,4	20
	7 571,1	100	7 051,1	100	6 240,9	100	5 831,2	100	6 339,9	100

SUMMARY OF RATIOS AND STATISTICS

	2013	2012	2011	2010	2009[3]
ORDINARY SHARE PERFORMANCE					
Number of ordinary shares upon which headline earnings per share is based (000)[2]	159 755	159 263	158 655	158 193	157 012
Headline earnings per ordinary share (cents)	1 624	1 689	1 575	1 393	1 382
Dividends per ordinary share (cents)[1]	865	850	791	746	704
Dividend cover (times)[1]	1,9	2,0	2,0	1,9	2,0
Net worth per ordinary share (cents)	8 055	7 086	6 209	5 247	4 439
PROFITABILITY AND ASSET MANAGEMENT					
Asset turnover (times)	2,1	2,6	2,8	2,9	3,2
Working capital per R1 000 turnover (R)	23,2	22,5	20,1	20,7	18,7
Operating margin (%)	11,4	15,3	15,9	15,6	15,3
Effective taxation rate (%)	25,9	27,0	28,2	27,9	28,3
Return on equity (%)	19,4	24,1	25,0	28,2	30,6
Return on average net assets (%)	24,2	33,8	38,2	45,2	49,7
FINANCING					
Current ratio	1,1	1,5	1,4	1,9	1,8
Net interest cover (times)	8	25	51	37	12
Net debt/(cash) to net funding (%)	24	9	14	(1)	5
Total liabilities to total shareholders' funds (%)	70	47	51	45	54
Cash flow to net liabilities (%)	32	60	56	87	66
EMPLOYEE STATISTICS					
Number of employees at year end[4]	16 752	14 609	14 164	11 348	11 443
▹ permanent	12 760	10 878	10 755	9 022	8 901
▹ seasonal	3 992	3 731	3 409	2 326	2 542
Revenue per employee (R000)	1 616	1 559	1 712	1 708	1 804
Value added per employee (R000)	419	449	419	486	398
Operating profit per employee (R000)	183	238	229	266	274
ECONOMIC INDICATORS					
Consumer Price Index (September on September)	6,0%	5,5%	5,7%	3,2%	6,1%
Key closing exchange rates at 30 September vs ZAR					
▹ USD	10,05	8,29	8,10	6,98	7,56
▹ GBP	16,23	13,38	12,60	11,01	12,07
▹ EUR	13,60	10,69	10,88	9,52	11,03
STOCK EXCHANGE STATISTICS					
Market price per share (cents)					
▹ year end	29 911	27 312	21 000	18 960	15 050
▹ highest	33 499	29 321	21 050	19 199	16 400
▹ lowest	26 700	20 252	17 297	14 501	11 267
Number of transactions	553 725	418 955	373 418	349 411	245 699
Number of shares traded (000)	140 315	150 973	157 833	183 599	213 904
Value of shares traded (Rm)	41 357	38 662	29 955	31 661	29 926
Number of shares traded as a percentage of total issued shares	73,3	79,0	82,8	96,5	123,2
Dividend yield at year end (%)	2,9	3,1	3,8	3,9	4,7
Earnings yield at year end (%)	5,6	6,2	7,5	7,4	9,1
Price earnings ratio at year end	18	16	13	14	11
Market capitalisation at year end (Rm)	57 294	52 219	40 035	36 062	26 121
Market capitalisation to shareholders' equity at year end (times)	4,4	4,6	4,1	4,3	3,7

Notes

1. *Based on the sum of the interim dividend paid in the current year and the final dividend declared post-year end. Also includes capital distributions paid out of share premium in January 2010, July 2010 and January 2011.*
2. *Net of treasury and empowerment shares.*
3. *Excluding Sea Harvest, which was sold on 28 May 2009.*
4. *Includes employees of international operations.*

Governance and risk

In this section

Corporate governance	68 – 76
Audit committee report	77 – 80
Risk report	81 – 85

Corporate governance

Approach to corporate governance and ethical leadership

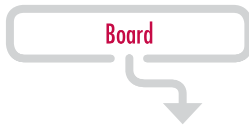
Tiger Brands is committed to the highest standards of corporate governance and ethical and moral business behaviour. This commitment is woven through every aspect of the group's management structures at all of its operations. In all matters that are considered by the board, the board is cognisant of the fact that the directors and management are trustees of the company and its assets and manage them on behalf of the shareholders, who are the true owners of the company.

Ethical practices are entrenched throughout the organisation as the only acceptable behaviour. The board sets the tone and standards in this regard, which in turn filters down to executive management and all employees. Tiger Brands adopts a zero tolerance approach to infringements of governance and ethical standards at all levels of the company.

The group's approach is strictly adhered to in each country in which it operates. Governance processes, such as audit, risk and remuneration committees and ethics lines are in place at each subsidiary across Africa.

Good governance is a fundamental prerequisite for any considered new investment of the group within South Africa, across Africa or elsewhere.

GOVERNANCE STRUCTURE



Members	AC Parker (Chairman), BL Sibiya (Deputy Chairman), SL Botha, MJ Bowman, RMW Dunne, M Makanjee, KDK Mokhele, RD Nisbet, MP Nyama, PB Matlare (Chief Executive Officer), O Ighodaro (Chief Financial Officer), CFH Vaux
Responsibility	The board of Tiger Brands takes overall responsibility for directing the company to achieve its strategic objectives, vision and mission. It is accountable for the development and execution of the group's strategy, operating performance and financial results. In terms of the Board Charter, responsibilities, *inter alia,* include: › approving the strategic direction of the group and the budgets necessary for its implementation; › being the guardian of the values and ethics of the group; › appointing the Chief Executive Officer; › retaining full and effective control of the company; › monitoring the management and the implementation of the corporate vision; and › delegating responsibility to an executive committee or board sub-committees. A copy of the Charter is available on our website.
Number of meetings per year	There are a minimum of six meetings held each year. There are four quarterly review meetings, one meeting to consider the five-year strategic plan and one meeting to approve the budget for the following year.

Corporate governance continued

	Committees	
	Audit committee	Remuneration and nomination committee
Members	RMW Dunne (Chairman) KDK Mokhele RD Nisbet	SL Botha (Chairman) AC Parker RMW Dunne MP Nyama
Responsibility	This committee is a statutory committee established in terms of the provisions of the Companies Act No 71 of 2008. The committee is responsible for reviewing the interim and Integrated Annual Report, the internal control framework and procedures, confirming and reviewing the internal audit, reviewing the effectiveness of the system of internal controls, reviewing risk management, and recommending the appointment of the external auditors. See audit committee report on page 77.	The committee is responsible for determining the company's general policy on executive and senior management remuneration. It is also responsible for making recommendations for nominations to the board and will give consideration to the composition of the board. The committee is further responsible for succession planning for key management positions. See page 75 and remuneration report on page 88.
Number of independent directors	3/3	4/4
Number of meetings per year	3	4
Terms of reference in place and reviewed annually*	Yes	Yes
Self-evaluation completed	Yes	Yes

**See full terms of reference on our website*

Application of King III

In conformity with the primary South African corporate governance framework, the King Report on Governance for South Africa 2009 (King III), the group is satisfied that it has applied the key principles in all material respects other than where indicated to the contrary in this Integrated Annual Report. Tiger Brands has also adopted the principles of the GRI and the principal policies and practical applications of corporate governance as outlined by the Public Investment Corporation.

In addition to this framework, Tiger Brands is committed to complying with all relevant legislation, regulations and best practices in all countries in which it operates.

Details of the application of King III are set out on page 228. The GRI index is available on the website.

Committees		
Risk and sustainability committee	Social, ethics and transformation committee	Investment committee
RMW Dunne (Chairman) KDK Mokhele Members of executive management	BL Sibiya (Chairman) M Makanjee AC Parker PB Matlare Members of executive management	AC Parker (Chairman) KDK Mokhele RMW Dunne RD Nisbet
The committee has an independent oversight role and reports to the audit committee and the board on risk and sustainability issues. It reviews the annual risk and environmental reviews conducted by Alexander Forbes. See page 75 and risk management on page 81.	This committee is a statutory committee established in terms of the provisions of the Companies Act No 71 of 2008. The committee assists the board in ensuring the company is and remains a good and responsible corporate citizen. This includes monitoring the company's activities with regard to any relevant legislation, legal requirements and prevailing codes of best practice with regard to social, ethics and transformation matters. See page 75.	The committee is responsible for considering acquisitions and other material financial issues prior to submission to the board and meets on an ad-hoc basis.
2/2	3/4	4/4
3	4	2 in 2013
Yes	Yes	Mandated by board and meets on an ad hoc basis
Yes	Yes	No

The board

The board meets at least six times a year and monitors the performance of executive management. It addresses a range of key operational and strategic issues and ensures that debate on matters of policy, strategy and performance is critical, informed and constructive. In addition to the four quarterly board meetings, sessions are held annually to discuss strategy and budget plans. Non-executive directors are encouraged to meet both officially and unofficially with senior executive management on a regular basis. Twice a year, non-executive directors meet, without executive management being present, to informally discuss matters relating to the company.

In addition to the board meetings, board education and training takes place on an ad hoc basis.

Corporate governance continued

Attendance at board and committee meetings is set out below:

Director	Board meeting					Audit committee meeting			Remuneration and nomination committee meeting				Risk and sustainability committee meeting			Social, ethics and transformation committee meeting			
Date	20/11/12	12/02/13	29/05/13	06/08/13	11/09/13	12/11/12	21/05/13	11/09/13	13/11/12	05/02/13	23/05/13	19/09/13	05/11/12	21/05/13	30/07/13	16/11/12	11/02/13	20/05/13	02/08/13
Independent non-executive																			
AC Parker (Chairman)	Attended	Attended	Attended	Attended	Attended				Attended	Attended	Attended	Attended				Attended	Attended	Absent	Attended
BL Sibiya (Deputy Chairman)	Attended	Attended	Attended	Absent	Attended											Attended	Attended	Attended	Absent
RMW Dunne	Attended	Attended	Absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended				
SL Botha	Attended	Attended	Attended	Attended	Attended				Attended	Attended	Attended	Attended							
MJ Bowman	Absent	Absent	Attended	Attended	Attended														
KDK Mokhele	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Absent	Attended				Attended	Attended	Attended				
MP Nyama	Attended	Attended	Attended	Attended	Attended					Attended	Attended	Attended							
RD Nisbet	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended											
M Makanjee	Attended	Absent	Attended	Attended	Attended											Attended	Attended	Attended	Attended
Executive																			
PB Matlare (Chief Executive Officer)	Attended	Attended	Attended	Attended	Attended											Attended	Attended	Absent	Attended
O Ighodaro (Chief Financial Officer)	Attended	Attended	Attended	Attended	Attended								Attended	Attended	Attended				
CFH Vaux	Attended	Attended	Attended	Attended	Attended								Attended	Attended	Attended				

• *Absent*
• *Attended*

All directors have access to the advice and services of the Company Secretary and, in appropriate circumstances may, at the group's expense, seek independent professional advice concerning its affairs.

The roles of the Chairman and the Chief Executive Officer are strictly separate. All non-executive directors are considered independent and are appointed in terms of their business acumen and skill.

Board and committee evaluation

During 2012, the board contracted with Deloitte to conduct an independent evaluation of the board's performance and of the statutory and sub-committees of the board. Deloitte reported to the board in the first quarter of the year under review.

The scope of the board effectiveness assessment included an overall effectiveness assessment of the board itself collectively,

a review of individual directors' performance and contribution, a review of the Chairman's leadership and contribution and a review of the Company Secretary's role and contribution.

The assessment was conducted by questionnaires and interviews.

The overall conclusion of the reports were that:

- the board composition was sound and had a good mix of skills and experience;
- the board agendas and attention thereto include appropriate matters for review, monitoring and approval;
- the board met sufficiently regularly to fulfil its purpose and responsibilities;
- board members had an appropriate understanding of the key issues facing Tiger Brands;
- the board's review, approval, monitoring and oversight include both strategic matters and current operating performance and results, with appropriate time allocation to each;
- the board has the appropriate committees to assist it, which have:
  - clear terms of reference and responsibilities;
  - in the opinion of the board, members fulfilled their mandates;
  - appropriate leadership and composition; and
  - reported appropriately to the board on their deliberations and decisions
- board authority and leadership was separate and distinct from executive leadership and authority; and
- the Chairman's leadership and contribution and the Company Secretary's role and contribution were considered to be effective.

The report did suggest certain areas of improvement that would enhance the efficiency and effectiveness of the board which would be introduced by the board.

These included:

- a regular review of the board's charter or terms of reference;
- a review of the board agenda so that critical issues could be prioritised; and
- directors' updates and ongoing development.

Corporate governance continued

Board processes

Appointment of directors	The appointment process is conducted in a transparent and formal manner and is the responsibility of the remuneration and nomination committee. New appointees to the board are appropriately familiarised with the company through an induction programme.
Rotation of directors	In terms of the memorandum of incorporation, no directors have fixed term appointments. Directors are subject to retirement by rotation and re-election by shareholders. Executive directors are subject to standard terms and conditions of employment and a three-month notice period, save for one executive director who is subject to a one-month notice period. Executive directors are required to retire from the board by rotation on the same basis as non-executive directors. Any director appointed to fill a vacant position during the year must retire and stand for re-election at the first annual general meeting following his/her appointment.
Dealing in company shares and conflicts of interest	A formal policy outlining the procedures for dealing in Tiger Brands' shares is in place. It aims to protect directors and executives against possible and unintentional contravention of the insider trading laws and stock exchange regulations. Any investment in or disinvestment from a group company by a director or a member of the senior executive management committee must be referred to the Chairman to obtain his consent before any instruction is given to a stockbroker. The consent required may be delayed or withheld according to the circumstances prevailing at the time. Short-term or speculative positions may not be taken by directors or executives of the company in any of the securities of the group companies. Participants in the group's equity-settled share incentive schemes are subject to the rules of the scheme/s and the provisions of the JSE Listings Requirements. No investment or divestment may take place during the closed periods, which are between 31 March and the release of the interim results in May, and between 30 September and the release of the final results in November, and in any other closed period as may be outlined in terms of the JSE Listings Requirements.

Board committees

The board has delegated specific responsibilities to sub-committees of the board. In addition, the Statutory Committees established in terms of the Companies Act No 71 2008, as amended (the Companies Act) also report to the board. The board committees assist the directors in discharging their duties and responsibilities in terms of the Companies Act No 71 2008, as amended, and the appropriate governance authorities.

Audit committee

The report of the audit committee is set out on page 77.

Remuneration and nomination committee

The company's Chief Executive Officer, Mr PB Matlare, attends committee meetings by invitation and assists the committee in its deliberations save when issues relating to his own compensation are discussed. As with Mr Matlare, no directors are involved in determining their own remuneration. The committee takes advice from the company's human resources and finance functions as well as independent consultants.

The committee performs two distinct functions, one relating to remuneration and the other to the nomination of non-executive directors to the board.

A comprehensive remuneration report is set out on pages 88 to 107 of this Integrated Annual Report 2013.

Risk and sustainability committee

Although the committee has an independent oversight role, it does not assume the function of group management. This remains the responsibility of the executive directors, officers and other members of senior management.

The duties of committee members who are also directors of the company, are in addition to the responsibilities held by them as members of the board. The other members of the committee comprise the group's senior management, including representatives of the sustainability, compliance, financial, legal/secretarial, operational management and supply chain functions of the group. The group compliance officer also attends meetings of the committee and has direct access to the committee chairman.

Further, the internal and external auditors as well as Alexander Forbes, which undertakes the risk and environmental reviews, attend all meetings of this committee. Specialists are invited when appropriate to provide advice on matters of risk and sustainability.

Reports on the proceedings of the committee and the minutes of the meetings are submitted to the audit committee and the group executive committee. In addition, major risks as put forward by the committee are considered by the board on a regular basis.

Social, ethics and transformation committee

The committee was established in 2011 and operates in line with the requirements of the Companies Act No 71 2008, as amended, and King III.

Corporate governance continued

The main objectives of the committee are to monitor the group's activities with regard to any relevant legislation, legal requirements and prevailing codes of best practice in respect of:

- social and economic development including the principles of the United Nations Global Compact, Broad-Based Black Economic Empowerment, employment equity and the Organisation for Economic Cooperation and Development's (OECD) recommendations on corruption;
- good corporate citizenship which includes promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;
- consumer relations;
- labour and employment including skills development; and
- safety, health and environmental issues.

The committee draws these matters to the attention of the board and reports on them to the shareholders at the annual general meeting. To this end, a reporting framework is in place which covers aspects contemplated in the United Nations Global Compact – specifically the 10 principles relating to human rights, labour, the environment and anti-corruption. It also covers the OECD recommendations which predominantly relate to anti-bribery and anti-corruption with specific emphasis on risk control systems.

Management reports to the committee on matters relevant to its deliberations to enable the members to fulfil their responsibilities.

Mechanisms to encourage ethical behaviour such as the Code of Ethics, and tip-off line, were confirmed as adequate by the committee in the year.

No human rights incidents were reported. In South Africa, aspects such as prohibition of child labour, forced compulsory labour and discriminatory practices are monitored by the Department of Labour in addition to the committee.

The committee also confirmed that all consumer complaints are monitored by executive management as well as the risk and sustainability committee, in line with the Consumer Protection Act. A four-year consumer complaints review undertaken by the committee indicated a progressive decline in the number of complaints.

The group labour report was considered by the committee. Female representation is at 29% in junior management, 35% in middle management, 22% in senior management and 33% in executive management. Board representation is at 25%. The trend had remained consistent over a three-year period. Again in South Africa, income differentials are also annually tracked by the Department of Labour.

CSI and the Tiger Brands Foundation are reported separately on pages 123 to 125.

In respect of Broad-Based Black Economic Empowerment (B-BBEE) performance, the company retained a Level 3 contributor rating for the year. The focus areas for the year under review were employment equity, skills development and enterprise development. The group is currently reviewing its plans and strategies in order to align to the newly promulgated revised B-BBEE codes.

Audit committee report

This report is provided by the audit committee appointed in respect of the 2013 financial year in compliance with the Companies Act No 71 of 2008, as amended. The committee's operation is guided by a detailed charter that is informed by the Companies Act and King III, and is approved by the board.

The audit committee has executed its duties and responsibilities for the 2013 financial year in accordance with its terms of reference as they relate to the group's accounting, internal auditing, internal control and financial reporting practices.

The year under review

In respect of the external auditor and the external audit, the committee among other matters:

- nominated to shareholders for appointment, Ernst & Young Inc. as the external auditor, and D Engelbrecht as the designated auditor, for the financial year ended 30 September 2013, and ensured that the appointment complied with all applicable legal and regulatory requirements. The committee confirms that the auditor and the designated auditor are accredited by the JSE Limited;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
- obtained an annual written statement from the auditor that its independence was not impaired;
- considered the reports of the external auditor on the group's systems of internal control including financial controls;
- determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services to be undertaken;
- obtained assurances from the external auditor that adequate accounting records were being maintained;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act No 26 of 2005, and determined that there were none; and
- nominated the external auditor and the designated independent auditor for each of the group companies.

In respect of the financial statements, the committee among other matters:

- confirmed the going-concern requirement as the basis of preparation of the interim and annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate;
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public prior to submission to and approval by the board;
- ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year then ended and considered the basis

Audit committee report continued

on which the company and the group was determined to be a going concern;

- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the group financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- met separately with management, external audit and internal audit.

In respect of internal controls and internal audit, including forensic audit, the committee among other matters:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit function and compliance with its charter;
- considered the reports of the internal auditor on the group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal and forensic audit processes and the adequacy of corrective action in response to significant internal and forensic audit findings;
- assessed the adequacy of the performance of the internal audit function and found it to be satisfactory; and
- based on the above, formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

In respect of risk management and information technology, the committee, insofar as relevant to its functions:

- reviewed the group's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going-concern assessment, and found them to be sound; and
- considered and reviewed the findings and recommendations of the risk and sustainability committee.

In respect of sustainability issues, the committee has:

- considered the findings and recommendations of the risk and sustainability committee; and
- met with senior management to consider the findings on assurance, as well as to make appropriate enquiries from management and has, through this process, received the necessary assurances that material disclosures are reliable and do not conflict with the financial information.

In respect of legal and regulatory requirements, to the extent that these may have an impact on the financial statements, the committee:

- reviewed with management, legal matters that could have a material impact on the group;
- reviewed with the company's internal counsel, the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the group's whistle-blowing service, including complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.

In respect of the co-ordination of assurance activities, the committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

The committee also considered the expertise, resources and experience of the Chief Financial Officer and concluded that these were appropriate.

In addition, in terms of section 3.84 of the JSE Listings Requirements, it has been determined that the Company Secretary, IWM Isdale, has the competence, qualifications and experience to hold the position of Company Secretary. Ian Isdale has a BA LLB (UKZN) degree and, in addition, holds an EDP (Wits). He was formerly an admitted advocate and legal practitioner in Zimbabwe and is the immediate past president of the Corporate Lawyers Association of South Africa. Mr Isdale has been Company Secretary and Legal Adviser to Tiger Brands Limited since May 1994. He is not a director of the company. The committee and the board are satisfied that he provides guidance and assistance to the company in his capacity as Company Secretary, on an objective, arm's length basis notwithstanding the fact that he is a full-time employee and holds the position of Group Legal Adviser (in which position he also provides objective advice). The committee and the board have reached this conclusion as a consequence of their long-standing working relationship with the Company Secretary. This was confirmed in the evaluation of his performance which was included as part of the recently conducted external evaluation of the board. The board evaluation is further dealt with in the remuneration report on pages 88 to 107.

Audit committee report continued

Independence of the external auditor

The audit committee is satisfied that Ernst & Young Inc. is independent of the group after considering the following factors:

- Representations made by Ernst & Young Inc. to the audit committee.
- The auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.
- The criteria specified for independence by the independent regulatory Board for Auditors and international regulatory bodies.

Annual financial statements

Following the review by the audit committee of the annual financial statements of Tiger Brands Limited for the year ended 30 September 2013, the committee is of the view that, in all material respects, they comply with the relevant provisions of the Companies Act and IFRS and fairly present the consolidated and separate financial position of the company at that date and the results of its operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the remainder of this Integrated Annual Report 2013.

Having achieved its objectives, the audit committee has recommended the annual financial statements and Integrated Annual Report for the year ended 30 September 2013 for approval to the board. The board has subsequently approved the annual financial statements and the Integrated Annual Report 2013, which will be open for discussion at the upcoming annual general meeting.

Risk report

Tiger Brands recognises that the effective identification and management of risk is fundamental to the group's ability to create and maintain value for all stakeholders. It is also central to the group's operational strategy.

The approach to risk management is guided by a formal policy that outlines Tiger Brands' objectives and commitment in this regard. This is implemented through a formal risk management process in which major risks are updated on an ongoing basis and are formally reviewed at strategic and operational levels on a quarterly basis.

The risk management process involves:
- the identification and documentation of key risks;
- the assessment of the likelihood and impact of the identified risks;
- the evaluation of the controls and business processes in place to manage the identified risks; and
- action plans in place to address the residual risk exposure.

Risk control framework

The board obtains assurance that the controls over identified risks are operating effectively. The formal combined assurance framework operates on four tiers:
- Board, executive directors, management;
- Commercial Audit Unit, internal auditors, KPMG and other assurance providers;
- External auditors Ernst & Young Inc, and other assurance providers; and
- Environmental risk assurance by Alexander Forbes risk services.

Board, executive directors, management

The board sets the level of risk tolerance and limits of risk appetite for the group and takes a prudent approach to risk. This decision-making is informed by the group's strategic objectives, reputational risk, management priorities and stakeholder expectations. The board also monitors the effectiveness of the risk management processes, which are deemed to be appropriate.

The risk and sustainability committee actively monitors the group's key risks as part of its standard agenda. It oversees the group's risk management programme and reports thereon to the audit committee and the board, which retains ultimate responsibility for the oversight of the group's risk management processes.

Group executives and operational management are responsible for day-to-day risk management. Each of the group's divisions regularly reviews their strategic and operational risks, following a standard approach of prioritising high-risk areas. Responsibility for each of the identified risks is assigned to an appropriate member of the senior management team, who is required to report to the executive committee on the steps taken to manage or mitigate the risks in question.

The group also runs a number of specific risk control initiatives addressing health and safety management, security, fire defence, food safety, environmental management and quality management, and has adopted a system of incident reporting at an operational level that allows for reporting to management by exception.

The safety of the group's employees is considered to be of paramount importance. To this end, the risk and sustainability committee has focused its attention on the

Risk report continued

process of determining the disabling injury frequency rate (DIFR) occurrences and the degree of seriousness of such injuries on a regular basis. Unfortunately, during the current year, the group experienced two fatal accidents at its manufacturing units involving an employee and contractor. See page 114 for further detail.

Risk management is strengthened by enforcing the group's Code of Conduct and encouraging employees to use the confidential ethics hotline to report incidences of concern.

Internal audit assurance

The Commercial Audit Unit, together with the group's internal auditors, KPMG, carry out compliance and risk-based audits focused on the control environment as well as key risks identified through the risk management process. They assist in addressing potential fraud or criminal activity and respond to issues arising from the confidential ethics hotline, as well as any reports of defalcation or other issues requiring investigation.

The company has a zero tolerance approach to non-compliance with legislation in all jurisdictions in which it operates.

External auditors, external assurance providers, other professional providers and regulatory/legislative audits

The independent external auditors, Ernst & Young Inc., whose appointment is recommended by the audit committee and approved by the group's shareholders, are responsible for reporting on whether the annual financial statements fairly present the state of affairs of the company and the group, in compliance with IFRS and the Companies Act. The preparation of the annual financial statements remains the responsibility of the directors. The audit committee, on behalf of the board, regularly meets with the external auditors and formally evaluates their independence on an annual basis.

Significant risks

Tiger Brands has identified the following key risks as being the most significant risks facing the group. The risks identified do not necessarily comprise all the risks affecting the group and are not presented in any particular order of priority. Additional risks and uncertainties not presently known to the group (or currently deemed immaterial) may arise and could affect the long-term sustainability of the group's business and/or operations.

Macro-economic conditions

The group is dependent on ongoing consumer demand for its brands, which could be affected by adverse economic conditions, thereby negatively impacting revenues, profitability, cash flow and the carrying value of intangible assets. The group monitors and assesses the impact of macro-economic conditions on customers, suppliers, funding requirements and the business environment in general. Notwithstanding the negative impact of the prevailing weak economy on consumer demand, the group has continued to effectively sustain operations and generate positive returns and cash flow for shareholders.

Domestic business growth

The trading environment, especially in South Africa, remains challenging, with consumers experiencing ongoing constraints on their disposable income and manufacturers facing increased competition in a relatively high-cost inflationary environment. This has negatively

impacted domestic top-line growth and the group has suffered a loss of market share in certain categories as consumers have increased their trial in cheaper brands. In attempting to recover volumes, the group has limited the extent of price increases on its products to ensure their competitiveness on shelf and increased its marketing and promotional investment to drive penetration and consumption growth. In addition, the group has heightened its focus on innovation and brand building to further defend its leading market positions across core categories, albeit with some margin erosion in the short term.

Innovation

Tiger Brands' success depends on its ability to anticipate consumer preferences and to offer high-quality products that appeal to consumers. Failure to innovate could inhibit the group's ability to compete in higher-value categories, drive consumer preferences and result in an erosion of the group's brand equity and market shares. The group continually monitors and analyses market trends and regularly carries out research on consumer habits and attitudes. It seeks to keep its core brands relevant and contemporary and invests extensively in innovation, through new product development plans which aim to convert category growth strategies into viable products that meet consumer needs. The group is intensifying its efforts on brand building through increased marketing support, new product development and innovation, as well as adequate investment in R&D resources to underpin an enhanced Tiger Brands innovation process.

Retail trade

The consolidation of the retail trade and emergence of buying groups has intensified the competitive pressures on manufacturers. Retailers are competing against branded manufacturers through their focused private label offerings and are driving product prices down through extended promotional activity, which is enabled by their central warehousing strategies. This, together with new store openings, has increased the overall cost of doing business for manufacturers, without significant additional volume growth in the total market. The group has put in place equitable trading terms with customers to drive volume performance and is increasing its focus on brand building, through innovation and marketing, to stimulate increased demand from consumers. Tiger Brands' customer and supply chain structures are also being strengthened to ensure better alignment and focus.

Human resources

The group continues to develop its internal talent plans and to seek innovative ways of finding and retaining skilled employees/ people. The group has in place talent management and succession planning, which anticipates the requirements for functional skills ahead of demand and sets a rolling "cover target" for key positions in order to ensure adequate capacity and capability to enable the sustainability of the group's business and the implementation of its strategy. This is further enabled by an organisational structure that clearly defines roles, responsibilities and reporting lines. Individual development plans

Risk report continued

and an effective performance management system both contribute to employee retention, supported by competitive incentives which are aligned to the group's strategic objectives. The group's participation in the Deloitte "Best Company To Work For" survey, and action plans resulting therefrom, further enhances the value proposition for employees.

Geographic expansion into Nigeria

The expansion into Nigeria represents a significant growth opportunity for the group, notwithstanding the operational challenges currently being faced by the newly acquired Nigerian businesses. Failure to successfully implement the changes required to fix, optimise and grow these businesses could significantly affect the group's future growth prospects. Adequate resources have been deployed to implement Tiger Brands' operating standards, stabilise the business and drive profitable growth through increased market penetration and entering new categories. Significant investment is also being made, through increased marketing support and innovation, in building both existing and new brands and in optimising the group's route to market capabilities.

Changes in consumer preferences

Consumers are under increasing financial pressures and have become more value conscious in their purchasing decisions, switching to cheaper alternative products where possible. The group continues to focus on cost containment across its value chain and the close management of the pricing of its products relative to competitor brands. The enhancement of the perceived benefits of the group's products is also key to competing effectively in this protracted value-based economy. This will be achieved through improvements in the functional attributes of our products, enhanced pack formats and value-added offerings as well as appropriate brand price tiering strategies.

Cost competitiveness

The higher input costs across the entire value chain and increasingly competitive pressures have resulted in widening price differentials on certain of the group's product categories and an inability to fully recover input cost increases. This has negatively affected the group's profit margins in the short term, as well as sales volumes over the last few years. The group has embarked on a number of important initiatives to lower its cost base and to improve operational efficiencies, aimed at generating savings to mitigate against the margin compression arising from the higher input costs and to provide funding for further investment in brand building and innovation. This will enable the group to maintain its competitive brand positioning and manage price differentials in relevant categories, where these have negatively affected market shares.

IT systems

The risks surrounding the security, back-up, conversion and software and hardware updates relating to the group's information technology systems are continually assessed. Disaster recovery plans and conversion of enterprise resource planning (ERP) systems are reviewed regularly as disruptions to critical management information and application systems could have a material impact on the group's continuing operations. The group is currently in the process of consolidating its

various ERP systems onto a single Oracle platform and has centralised certain functions including procurement and finance. These pose additional risk, which is being managed through detailed planning and change management initiatives to ensure a smooth and effective transition and integrity in the group's information management systems.

Legislative issues

Fair trade, product safety and tariff enforcement are areas relevant to the group, where interaction at appropriate governmental level is required. The group is compliant with the regulatory framework within which it operates. Employees regularly undergo compliance training to ensure awareness of new legislation and compliance with the Competition Act. This applies to all territories in which the group operates.

Product safety

The quality and safety of the group's products is of paramount importance for its brands and reputation. The group continually monitors, reviews and approves quality control procedures and consumer assurance in the respective supply chains throughout the business. Embedded quality control and assurance processes, as well as health and safety procedures, are in place across all of the group's manufacturing facilities, with restricted access controls to production facilities. Effective crisis management plans are in place and are regularly tested. The majority of the group's manufacturing facilities are HACCP compliant or in the process of seeking HACCP or ISAO 22000 accreditation. The residual risk is considered low.

Resources and procurement

The group is subject to raw material price fluctuations caused by supply conditions, weather, economic conditions and other factors. The strategic raw materials acquired by the group include wheat, maize, rice, oats, sorghum, tomatoes, white beans and sunflower oil. The group continually monitors and reviews the impact of changes in climatic conditions on agricultural produce and considers the implications thereof for its supply chain. Exposure and strategy relating to the procurement of key raw materials required by the group are reviewed on an ongoing basis. Further detail with regard to soft commodity price risk is set out in note 37 to the annual financial statements.

Foreign currency risk

The group enters into various types of foreign exchange contracts as part of the management of its foreign exchange exposures arising from its current and anticipated business activities. As the group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. The group's foreign exchange exposure is monitored on an ongoing basis and any transactions involving foreign currency are managed through a clear foreign exchange policy where open positions are limited.

Other less material and manageable risks

- Labour unrest
- Increased consumer activism through social media
- Electricity and water supply
- Catastrophic loss of manufacturing facility
- Political/country risk

Remuneration report

Remuneration report

This remuneration report primarily covers the remuneration of the company's executive and non-executive directors, as well as that of senior management (including prescribed officers and members of the executive committee).

Remuneration policy

The Tiger Brands remuneration policy aims to ensure that the group attracts and retains key people required to deliver the group's business goals and results.

The policy, in conjunction with the remuneration philosophy and strategy, is predicated on the following key principles:

- Remuneration should have a direct correlation with the growth plans and financial performance of the businesses and the group.
- Remuneration should be reviewed and benchmarked annually through professional in-country service providers to ensure the group remains competitive in the diverse markets in which it operates, never applying percentiles rigidly but taking into account industry type, skills scarcity, nature of business, overall group and individual business performance, as well as legislative structures and requirements.
- Remuneration must support the group's strategy and be consistent with the organisation's culture of fairness and equity.
- Remuneration should motivate and allow for differentiation in rewarding high performers.
- Individual contribution, based on role and responsibilities, should have a direct bearing on the levels of remuneration.
- Total incentive-based rewards are earned through the attainment of demanding targets consistent with shareholders' growth expectations.

Executive remuneration

The total remuneration packages of the executive directors and senior management are subject to annual review and independently benchmarked against external market data taking into account the size of the company, its market sector and business complexity. Individual performance, as reflected by formal performance ratings, value-add to the business and organisation as a whole, and overall responsibility is also taken into consideration. In respect of scarce skills, where scarcity is as a consequence of a unique combination of skills and experience which an individual has, steps are taken to build a talent pool around the relevant individual to de-risk the organisation.

Total remuneration packages are reviewed annually in October of each year. For consistently high performers, it is the group's intention to set guaranteed (non-variable) pay at above-median levels of remuneration as reflected by an appropriate external executive remuneration survey.

Details of remuneration payable to executive directors, prescribed officers and members of the executive committee in respect of the 2012 and 2013 financial years, are set out in note 4.2 of the notes to the annual financial statements.

Outside of the total remuneration package structure, executive directors and senior management participate in a short-term incentive bonus plan and in the Tiger Brands 2013 Share Plan (and historically the Tiger Brands (1985) Share Option Scheme and the Tiger Brands Phantom Cash Option Scheme). One executive director, one prescribed officer and three members of the Tiger Brands

executive committee are also participants in either one or both of the company's black manager empowerment trusts.

Incentive bonus plan

The executive directors and senior management participate in an annual incentive bonus plan, which is based on the achievement of short-term performance targets. These targets comprise a financial component as well as a number of strategic components. In 2013, the short-term incentive scheme in respect of members of the Tiger Brands executive committee (including the Chief Executive Officer) carried an 80% weighting in respect of the financial component and a 20% weighting for the strategic component.

The financial performance component is based on growth in profits, as measured by headline earnings per share (HEPS), and the return on net assets employed, with the greater emphasis on growth in headline earnings per share. Measures and targets are set and reviewed annually by the remuneration committee.

In 2013, the strategic element of the bonus consisted of a number of components, focusing on the following areas:

- Further progress in the company's growth strategy in the rest of Africa and the successful integration of current acquisitions.
- BEE transformation, with specific emphasis on employment equity, skills development and enterprise development.
- Further progress in the organisational and cultural development of the company.
- Progress in building management succession and capability.
- Energy management – improvement in overall energy consumption.

Each of the above elements carried a corresponding weighting. Performance against individual targets and objectives is also taken into account in the final bonus determination. All participants in this scheme are able to earn an annual short-term incentive of up to 150% of total remuneration package, increasing progressively from 100% to 150% for a performance above the top target. The maximum short-term incentive is paid only when the company achieves stretch business performance targets and all the strategic targets are achieved. For an on-target performance, participants are able to earn an annual incentive equal to 50% of total remuneration package.

Incentive bonuses payable to executive directors in respect of 2013 are outlined in the table of directors' emoluments included under note 4.2 of the notes to the annual financial statements. In addition, incentive bonuses payable to prescribed officers are reflected in a separate table below directors' emoluments. Incentive bonuses payable to members of the executive committee, excluding executive directors and prescribed officers, are disclosed in aggregate under note 4.2 of the notes to the annual financial statements. With the exception of a special incentive bonus which was paid to the Chief Executive Officer in December 2012, no annual incentive bonuses accrued in 2013 in respect of executive directors, prescribed officers and other members of the executive committee.

The profit incentive scheme for 2014 is similar to the 2013 scheme, with 80% of the bonus being based on financial performance criteria (HEPS and return on net assets), and the remaining 20% based on specific strategic

Remuneration report continued

criteria. The strategic element of the bonus in 2014 will focus on the following areas:

- Significant improvement in Tiger Brands Nigeria – measured through the achievement of specific financial targets that have been set.
- Meaningful increase in the group's innovation rate – a minimum increase of one percentage point in the group's innovation rate, measured as a percentage of total group turnover.
- Demonstrable progress in regaining Tiger Brands' market shares – measured through the achievement of a specified total volume growth target for the categories in which Tiger Brands participates.
- Achieve net savings of R200 million in respect of specific group cost saving initiatives – financial shared services, information technology, procurement and manufacturing.

Phantom Cash Settled Option Scheme

On 23 February 2006, shareholders approved the adoption of a Phantom Cash Option Scheme to replace the Tiger Brands (1985) Share Option Scheme. In terms of the Phantom Cash Option Scheme, cash options have been granted to executive directors and senior managers on an annual basis since 2006. This includes a special allocation (at a reduced level) in February 2013 which was made as part of the transition to the newly approved Tiger Brands 2013 Share Plan.

The rules of the Phantom Cash Option Scheme are based on the 1985 Equity-settled Share Option Scheme. Apart from the fact that the options are "cash settled" rather than "equity settled", the major difference between the two schemes is that the maturity period of the cash-settled options is six years as opposed to 10 years. The cash options awarded in 2006, 2007 and 2008 have already fully vested.

Subject to meeting certain minimum performance conditions in respect of 50% of the options granted, all options granted from 2008 to 2013 are exercisable in equal one-third tranches on each of the third, fourth and fifth anniversary dates of the date of the original grant. The performance vesting condition in respect of 50% of the options granted requires that the company's HEPS increases by a minimum of 3% per annum above inflation, on a rolling cumulative basis, over the relevant three, four and five-year performance periods. If the minimum financial hurdle rate is not achieved, annual retesting of the performance condition is permitted up to the sixth anniversary of the date of original grant in respect of the options granted in 2008, 2009 and 2010. It is to be noted that all the cash-settled options granted in 2008 have fully vested as at 30 September 2013.

For options issued from 2011 onwards, and in line with the principles of King III, annual retesting of the performance condition is not permitted. In order to avoid an all-or-nothing approach, these options are subject to a sliding vesting scale (based on varying levels of real growth in headline earnings per share) which is applied on the third, fourth and fifth anniversary dates of the original grant date of the options, in respect of each one-third tranche respectively.

The grant price of the cash-settled options awarded between 2008 and 2010 is equal to the average closing market price of a Tiger

Brands share on the JSE for the 30 trading days immediately prior to the grant date of the option. From 2011 onwards, the method of determination of the grant price was changed from the 30-day average closing share price prior to the date of the option grant to the 10-day volume-weighted average price (VWAP) prior to the grant date. The use of a 10-day VWAP price smooths out any volatility in the share price in the period immediately leading up to the grant date. The cash settlement amount of the option is equal to the difference between the closing market price of a Tiger Brands share on the date on which the option is exercised and the grant price.

As part of the phasing in of the newly approved share plan in February 2013, it was agreed by the board that in addition to a share appreciation rights allocation and an award of performance shares, a final allocation (at a reduced level) would be made under the Phantom Cash Option Scheme. Accordingly, in 2014, no new options will be issued under the Phantom Cash Option Scheme.

Implementation of Tiger Brands Limited 2013 Share Plan

Following shareholder approval, a new long-term incentive plan, the Tiger Brands Limited 2013 Share Plan, was duly registered and implemented in February 2013. The new share plan is in line with global best practice and emerging South African practice, as it gives recognition to the required attributes of shareholder alignment, retention of key talent and long-term sustained performance.

The purpose of the new long-term incentive plan (LTIP) is to attract, retain, motivate and reward those executives and managers who are able to influence the performance of Tiger Brands and its subsidiaries on a basis which aligns their interests with those of the company's shareholders.

Under the LTIP, executives and selected managers of the company and its subsidiaries will be offered, on an annual basis, a weighted combination of:

- allocations of share appreciation rights;
- conditional awards of full value performance shares; and
- grants of full value restricted shares.

The correlation between share price and company financial performance is often beset by exogenous factors that can sometimes override executive performance. The new LTIP focuses executive attention and reward on performance by combining a growth-oriented element (share appreciation right) with two full value elements, the one rewarding future company performance (performance share) and the other rewarding actual individual performance and retaining key talent (restricted share).

The share appreciation right element is similar in architecture to Tiger Brands' 2006 Cash-settled Phantom Share Option Scheme. Previously, annual allocations have been made using a set multiple of guaranteed package to define a face value. The number of phantom share options was then derived by dividing the face value amount by the prevailing share (strike) price. The same methodology has been retained for allocations of share appreciation rights, but with a reduced set multiple in order to accommodate the parallel offer of the two other elements, both forms of full-value shares.

Remuneration report continued

When a participant exercises a phantom share option or share appreciation right, the value that accrues to him/her is the positive gain (appreciation) of the underlying share price above the strike price. Full-value shares differ in that there is no strike price; the full value of the share accrues to a participant on vesting. As such, full-value shares are less reliant on share price growth, and less sensitive to the volatility of share prices, the timing of offers and the external factors that can drive share prices.

Performance shares closely align the interests of shareholders and executives by rewarding superior shareholder and financial performance in the future. Performance shares will be awarded predominantly to senior executives who can influence and impact long-term strategic performance.

Restricted shares provide for share-based retention to those senior managers who through their performance on an annual basis have demonstrated their value to the company. Restricted shares will be predominantly granted to high-performing senior managers to assist in their retention. The restricted share element of the plan will also offer the opportunity for executives to electively waive a portion (25%, 33% or 50%) of their annual cash incentive bonus, and to use the elective deferred portion to invest in Tiger Brands shares and have them matched by the company with additional shares.

Offers will be governed by Tiger Brands' reward philosophy and strategy, in which a target reward is set for defined categories of executives and senior management. Target reward is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of the company and of its share price.

The combined, weighted implementation of the above elements of the LTIP will allow Tiger Brands to remain competitive in annual and share-based incentives, and will ensure that executives share a significant level of personal risk with the company's shareholders.

Share appreciation rights element

Annual allocations of share appreciation rights will be made to executives and selected managers. They will be available to be settled in equal thirds on the third, fourth and fifth anniversaries of the date of allocation, but need not be exercised until the sixth anniversary, at which time they must be exercised or they will lapse.

On settlement, the value accruing to participants will be the appreciation of Tiger Brands' share price. Settlement may be via cash (as is the case in the 2006 Phantom Cash Option Scheme) or in shares, which shares may be issued and allotted, or acquired and transferred to participants. It is the company's intention that these be settled in shares.

These share appreciation rights will be subject to performance vesting criteria in terms of which the number of share appreciation rights vesting in relation to the full number allocated will be proportionately reduced if company financial performance targets are not met. The performance criteria in the table below have previously been adopted in respect of the 2006 Phantom Cash Option Scheme for the

vesting of 50% of any allocation, and will now continue to be applied to 100% of any allocation of share appreciation rights.

Sliding scale for the application of performance vesting conditions based on a targeted increase of 3% per annum real growth rate in HEPS over three, four and five-year periods

Threshold levels for real HEPS growth	% of allocation to vest
>0% and <0,5%	5%
≥0,5% and <1,0%	10%
≥1,0% and <1,5%	16%
≥1,5% and <2,0%	27%
≥2,0% and <2,5%	44%
≥2,5% and <3,0%	75%
≥3,0%	100%

Thus a form of appreciation unit will continue to be offered as in the past, but with a stronger performance orientation. In addition, the allocation will be at a reduced level in terms of target reward, with the balance comprising a weighted combination of the other two elements that are described in more detail below.

Performance share element

Annual conditional awards of performance shares will be made to executives and senior managers. Performance shares will vest on the third anniversary of their award, to the extent that the company has met specified performance criteria over the intervening period. Essentially the value per share that vests is the full value of the share (there is no strike price), but the number of shares that will vest will depend on the company's performance over the intervening three-year period against set targets.

The board will determine the performance criteria for each award. In respect of the awards made in February 2013, it was agreed that vesting will be determined in terms of the company's comparative total shareholder return (TSR) in relation to the constituent members of the FINDI 30 Index.

The vesting of the 2013 performance shares will thus be based on the following relationships:

- If Tiger Brands' TSR over the three-year period places it in 15th position out of the 30 companies comprising the 'index', then the targeted number (one-third of the maximum number) of performance shares awarded will vest.
- If Tiger Brands' TSR over the three-year period places it in 7th position or better, then the maximum number (three times the targeted number) of performance shares awarded will vest.
- If Tiger Brands' TSR over the three-year period places it in 23rd position or worse, then all performance shares awarded will be forfeited.
- If Tiger Brands' performance over the three-year period lies between 7th position and 15th position on the one hand, or between 15th position and 23rd position on the other hand, then a pro-rated number of performance shares will vest.

No retesting against the performance criteria will be allowed. Any performance shares which do not vest at the end of the three-year period will be forfeited.

Remuneration report continued

The performance share element closely aligns the interests of shareholders and executives by rewarding superior financial performance in the future. As such, it is envisaged that the awards of performance shares will feature at all executive and senior management levels, but feature more strongly the higher the participant's grade within the organisation.

Restricted share element

On an annual basis, executives, senior managers and key talent will receive a grant of restricted shares. The value of restricted shares granted will be linked to the annual cash bonus scheme, in one of, or a combination of:

Bonus matching

- Matching, according to a specified ratio, the actual annual cash incentive accruing to the executive. Standard matching ratios have been set for each grade, based on:
  - the on-target bonus percentage for the grade; and
  - the required balance within the offers of full-value shares between performance shares and restricted shares (Chief Executive Officer – 70%/30%; F Lower 60%/40%; E Upper and E Lower – 50%/50%).

The standard matching ratio (although designed in relation to the on-target bonus) will be applied to the actual bonus achieved, irrespective of how this relates to the on-target amount.

Bonus deferral

- An elective, prior year-end deferral of a portion (25%, 33% or 50%) of an individual's actual bonus calculation and its immediate conversion into restricted shares, with matching by the company (according to a set ratio) with additional restricted shares.

As the individual is effectively opting to put an element of a cash bonus that would otherwise accrue to him/her at risk, the bonus deferral sub-element of the LTIP may be referred to as a "co-investment plan". All restricted shares will vest after three years. The restricted share element provides for share-based retention to those executives who through their performance on an annual basis have demonstrated their value and commitment to the company.

No restricted shares (bonus matching) were granted in February 2013. However, a final allocation (at a substantially reduced level) of Phantom cash options, in lieu of the absent restricted shares, was made in February 2013. The Phantom Cash Option Scheme will be phased out in 2014 and allowed to run its course with the past allocations. From 2014, the new LTIP will be fully implemented, with offers of share appreciation rights, performance shares and restricted shares based on the bonuses earned in the 2013 financial year.

Vesting of share options in the event of termination of employment – Phantom Cash Option Scheme

In the event that an individual's employment is terminated, vesting of any outstanding (unvested) share options under the Phantom Cash Option Scheme is dependent upon the reasons for termination. The termination rules are in line with the recommendations contained in King III following certain changes which were made to the rules in late 2010.
A comparison of the old and new rules is set out in the table which follows. The new rules are applicable to options awarded from 1 January 2011 onwards.

Termination event	Old rule (options awarded pre 1 January 2011)	New rule (options awarded from 1 January 2011)
(a) Resignation	Options not exercised on or before the last date of employment will lapse	No change
(b) Normal retirement	There will be no early vesting. All options will be retained and will vest post-retirement subject to normal vesting criteria	No change
(c) Early retirement	There will be no early vesting of options. For options granted prior to January 2009, all options will be retained. However, for options granted in 2009 and 2010, the number of options that will be retained will be pro-rated based on the period of service at the date of early retirement relative to the full vesting period of the unvested options. Retained options will vest post-retirement subject to the normal vesting criteria applicable to the respective years	No change, but a sliding scale has replaced annual retesting
(d) Retrenchment	The number of options to be retained will be pro-rated based on the period of service at the date of retrenchment relative to the full vesting period of the unvested options. Such options will be allowed to vest early, and the performance conditions waived. Such retained options must be exercised within a period of six months after the date of retrenchment	No change, other than that only 50% of the retained options must be exercised within the six-month period after the date of retrenchment. The remainder will continue to be subject to performance conditions (but a sliding scale has replaced annual retesting)
(e) Disposal of a subsidiary or business	Performance conditions are waived and all unvested options are deemed to vest on the date of disposal. Such options must be exercised within a period of six months after the date of disposal	The number of options to be retained will be pro-rated based on the period of service at the date of disposal relative to the full vesting period of the unvested options. A total of 50% of the retained options must be exercised within the six-month period after the date of disposal. The remainder will continue to be subject to performance conditions (with a sliding scale replacing annual retesting)
(f) Death	Performance conditions are waived and all unvested options are deemed to vest on the date of death. Such options must be exercised by the executor within a period of six months after date of death	No change – although not in line with King III, a pragmatic approach has been taken in view of the small number of incidents
(g) Dismissals	Options not exercised on or before the last date of employment will lapse	No change

Remuneration report continued

Vesting of share appreciation rights and full-value shares in the event of termination of employment – The Tiger Brands 2013 Share Plan

In the event that an individual's employment is terminated, vesting of any outstanding (unvested) share options or full-value shares under the new LTIP is dependent upon the reasons for termination. The termination rules are in line with the recommendations contained in King III. The following is a summary of the principles to be applied in respect of units awarded from February 2013.

Termination of employment is based on the definition of no fault termination versus that of fault termination.

The definition of a no-fault termination is the termination of employment of a participant by the company or applicable employer company by reason of:

- death;
- injury, disability or ill health;
- dismissal based on operational requirements as contemplated in the Labour Relations Act No 66 of 1995;
- retirement on or after the normal retirement date;
- voluntary early retirement in terms of the rules of the retirement plan of which the participant is a member;
- the company by which the participant is employed ceasing to be a member of the Tiger Brands group;
- mutual agreement between the company and the participant; or
- the undertaking in which the participant is employed being transferred to a transferee which is not a member of Tiger Brands.

Under the above circumstances, if employment is terminated on a no-fault basis, then, depending on the nature of the unit (ie whether it is a share appreciation right, performance share or restricted share) and the reasons for termination, a participant may either retain all units or only a pro rata portion of the units. Accelerated vesting and settlement of the retained units may apply in certain circumstances.

The definition of a fault termination is the termination of employment of a participant by reason of:

- dismissal for misconduct or poor performance or a resignation by the participant.

If employment is terminated on a fault basis, the units will be cancelled.

Tiger Brands (1985) share option scheme

Executive directors

Details of equity-settled options issued in terms of the Tiger Brands (1985) Share Option Scheme held by executive directors as at 30 September 2013, together with options exercised during the year, are set out in note 24 to the notes of the annual financial statements. These options, all of which have vested as at 30 September 2013, are summarised in the following table:

	Balance at beginning of year (Number)	Share options granted	Share options exercised	Balance at end of year (Number)	Fair market value of outstanding options (Note 1) (R'000)
Executive director					
CFH Vaux	42 000	–	19 000	23 000	4 957

Note 1 – *The fair value of the options is estimated using a Black-Scholes option-pricing model solved numerically with an explicit finite-difference technique. All options have vested and are therefore valued with an American expiry profile.*

In addition to holding equity-settled options over shares in Tiger Brands Limited, one executive director also holds options over shares in the Spar Group Limited and Adcock Ingram Holdings Limited. These options were created as part of the Spar and Adcock Ingram unbundling transactions, to ensure that Tiger Brands option holders were treated on a consistent basis with Tiger Brands shareholders following the distribution of Tiger Brands' investments in those companies.

As far as the impact of the Adcock Ingram unbundling on the Tiger Brands Phantom Cash Option Scheme is concerned, all cash-settled options in favour of Tiger Brands employees which were unexercised at the date of the unbundling, were adjusted in terms of an equalisation formula as to quantum and price. As a result, no Adcock Ingram cash-settled options were granted to Tiger Brands employees.

Remuneration report continued

Phantom Cash Option Scheme

Executive directors

Details of Phantom cash options held by executive directors under the Tiger Brands Phantom Cash Option Scheme as at 30 September 2013 are set out below:

Name	Date of grant (Note 1)	Holding at 1 October 2012	Granted 2013	Exercised 2013	Forfeited 2013	Holding at 30 September 2013	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2013	Fair market value of vested options at 30 September 2013 (R'000)
O Ighodaro	Feb 2013		3 400	–	–	3 400	1 700	1 700	299,83	–	
	Feb 2012	18 900	–	–	–	18 900	9 450	9 450	253,18	–	
	Jun 2011	21 850	–	–	–	21 850	10 925	10 925	186,97	–	
Total		**40 750**	**3 400**	**–**	**–**	**44 150**	**22 075**	**22 075**		**–**	**–**
PB Matlare	Feb 2013		4 400	–	–	4 400	2 200	2 200	299,83	–	
	Feb 2012	32 800	–	–	–	32 800	16 400	16 400	253,18	–	
	Feb 2011	35 300	–	–	–	35 300	17 650	17 650	189,09	–	
	Feb 2010	73 200	–	–	–	73 200	36 600	36 600	172,07	12 200	1 574
	Feb 2009	40 400	–	26 932	–	13 468	6 734	6 734	141,91	–	
	Apr 2008	42 188	–	42 188	–	–	–	–	106,44	–	
Total		**223 888**	**4 400**	**69 120**	**–**	**159 168**	**79 584**	**79 584**		**12 200**	**1 574**
CFH Vaux	Feb 2013		3 700	–	–	3 700	1 850	1 850	299,83	–	
	Feb 2012	20 600	–	–	–	20 600	10 300	10 300	253,18	–	
	Feb 2011	22 100	–	–	–	22 100	11 050	11 050	189,09	–	
	Feb 2010	45 400	–	–	–	45 400	22 700	22 700	172,07	7 567	976
	Feb 2009	25 400	–	–	–	25 400	12 700	12 700	141,91	16 932	2 608
	Apr 2008	29 363	–	–	–	29 363	14 681	14 682	106,44	29 363	5 576
	Jan 2008	23 920	–	–	–	23 920	11 960	11 960	130,59	23 920	3 949
	Jan 2007	7 340	–	7 340	–	–	–		133,39	–	
Total		**174 123**	**3 700**	**7 340**	**–**	**170 483**	**85 241**	**85 242**		**77 782**	**13 109**

Note 1 – The options issued in February 2013 comprise a final allocation (at a reduced level) which was made as part of the phasing in of the Tiger Brands Limited 2013 Share Plan (LTIP).

Prescribed officers

Details of phantom cash options held by prescribed officers under the Tiger Brands Phantom Cash Option Scheme as at 30 September 2013 are set out below:

Name	Date of grant	Holding at 1 October 2012	Granted 2013 (Note 3)	Exercised 2013	Forfeited 2013	Holding at 30 September 2013	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2013	Fair market value of vested options at 30 September 2013 (R'000)
NG Brimacombe	Various	121 196	3 600	24 007		100 789	46 612	54 177	Various	9 788	1 859
NP Doyle – Notes 1 and 2	Various	30 000	30 000			60 000	30 000	30 000	Various		
PM Roux (Resigned 28 February 2013)	Various	75 600			75 600				Various		
N Segoale	Various	137 835	3 600	19 678		121 757	57 629	64 128	Various	7 889	1 498

Note 1 – The allocation in 2012 comprises a sign-on allocation granted on 2 July 2012 of 30 000 Phantom cash options which are subject to the normal vesting conditions. Performance conditions are applicable to 50% of the allocation.

Note 2 – The allocation in 2013, a condition of employment, of 30 000 Phantom cash options is subject to the normal vesting conditions. Performance conditions are applicable to 50% of the allocation.

Note 3 – The options issued in 2013 (excluding NP Doyle – see note 2) comprise a final allocation (at a reduced level) which was made as part of the phasing in of the new LTIP.

Executive committee members (excluding executive directors and prescribed officers)

Aggregated details of Phantom cash options held by members of the executive committee, other than the executive directors and prescribed officers above, as at 30 September 2013 are set out below:

	Date of grant	Holding at 1 October 2012	Granted 2013 (Note 1)	Exercised 2013	Forfeited 2013	Holding at 30 September 2013	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2013	Fair market value of vested options at 30 September 2013 (R'000)
Total	Various	252 347	10 300	76 766	–	185 881	92 942	92 941	Various	40 113	6 530

Note 1 – The options issued in 2013 comprise a final allocation (at a reduced level) which was made as part of the phasing in of the new LTIP.

Remuneration report continued

Tiger Brands Limited 2013 Share Plan

Executive directors

Details of share appreciation rights allocated to executive directors under the Tiger Brands Limited 2013 Share Plan as at 30 September 2013, are set out below:

Name	Date of grant	Holding at 1 October 2012	Granted 2013	Exercised 2013	Forfeited 2013	Holding at 30 September 2013	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2013	Fair market value of vested options at 30 September 2013 (R'000)
PB Matlare	Feb 2013	–	16 300	–	–	16 300	16 300	299,83	–	
O Ighodaro	Feb 2013	–	9 500	–	–	9 500	9 500	299,83	–	
O Ighodaro (Note 1)	Sep 2013	–	21 200	–	–	21 200	21 200	298,67		
CFH Vaux	Feb 2013	–	10 300	–	–	10 300	10 300	299,83	–	

Note 1 – A special retention allocation of share appreciation rights was made on 30 September 2013.

Details of performance shares awarded to executive directors under the Tiger Brands Limited 2013 Share Plan as at 30 September 2013:

Name	Date of grant	Holding at 1 October 2012	Granted 2013	Settled 2013	Forfeited 2013	Holding at 30 September 2013	10-day VWAP share price on grant date	Number of performance shares vested at 30 September 2013
PB Matlare	Feb 2013	–	4 100	–	–	4 100	299,83	–
O Ighodaro	Feb 2013	–	2 000	–	–	2 000	299,83	–
CFH Vaux	Feb 2013	–	2 200	–	–	2 200	299,83	–

Prescribed officers

Details of share appreciation rights allocated to Prescribed Officers under the Tiger Brands Limited 2013 Share Plan as at 30 September 2013, are set out below:

Name	Date of grant	Holding at 1 October 2012	Granted 2013	Exercised 2013	Forfeited 2013	Holding at 30 September 2013	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2013	Fair market value of vested options at 30 September 2013 (R'000)
N Segoale	Feb 2013	–	10 300	–	–	10 300	10 300	299,83	–	
NG Brimacombe	Feb 2013	–	10 000	–	–	10 000	10 000	299,83	–	
NG Brimacombe (Note 1)	Sep 2013	–	20 100	–	–	20 100	20 100	298,67	–	

Note 1 – A special retention allocation of share appreciation rights was made on 30 September 2013.

Details of performance shares awarded to Prescribed Officers under the Tiger Brands Limited 2013 Share Plan as at 30 September 2013:

Name	Date of grant	Holding at 1 October 2012	Granted 2013	Settled 2013	Forfeited 2013	Holding at 30 September 2013	10-day VWAP share price on grant date	Number of performance shares vested at 30 September 2013
NG Brimacombe	Feb 2013	–	2 200	–	–	2 200	299,83	–
N Segoale	Feb 2013	–	2 200	–	–	2 200	299,83	–

Executive committee members (excluding executive directors and prescribed officers)

Aggregated details of share appreciation rights allocated to members of the executive committee, other than the executive directors and prescribed officers above, as at 30 September 2013, are set out below:

Name	Date of grant	Holding at 1 October 2012	Granted 2013	Exercised 2013	Forfeited 2013	Holding at 30 September 2013	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2013	Fair market value of vested options at 30 September 2013 (R'000)
Total	Feb 2013	–	23 500	–	–	23 500	23 500	299,83	–	–

Aggregated details of performance shares awarded to members of the executive committee, other than the executive directors and prescribed officers above, as at 30 September 2013, are set out below:

Name	Date of grant	Holding at 1 October 2012	Granted 2013	Settled 2013	Forfeited 2013	Holding at 30 September 2013	10-day VWAP share price on grant date	Number of performance shares vested at 30 September 2013
Total	Feb 2013	–	4 300	–	–	4 300	299,83	–

Remuneration report continued

Black managers trusts

The Tiger Brands Black Managers Trust (BMT I) was established in 2005 as part of the company's Phase I staff empowerment transaction implemented in October 2005. In terms of the BEE Phase I staff empowerment transaction, the allocation of participation rights to black managers will entitle beneficiaries to receive the underlying Tiger shares (and shares in Adcock Ingram on a one-for-one basis) – after making the required capital contributions to the BMT I – at any time after the specified lock-in period, ie from 1 January 2015.

An executive director and a prescribed officer have each received allocations from the BMT I. PB Matlare was allocated the rights to 13 500 Tiger shares in July 2008 at an initial notional price of R117,91 per Tiger Brands underlying share. This notional cost will vary over time in terms of a repurchase formula and, when these participation rights are taken up, this will result in the participant being entitled to receive 13 500 Tiger Brands shares as well as 13 500 Adcock Ingram shares. On the same basis, N Segoale, a prescribed officer, was allocated the rights to 13 500 Tiger shares (and 13 500 Adcock Ingram shares) in July 2007 at an initial combined notional price of R117,30 for a Tiger Brands and an Adcock share.

In addition, on 31 December 2009, a top-up allocation of rights to 2 763 Tiger Brands shares (and 2 763 Adcock Ingram shares) was awarded by the BMT I to each of PB Matlare and N Segoale at an initial combined notional price of R122,39 for a Tiger Brands and an Adcock share.

The Tiger Brands Black Managers Trust No II (BMT II) was established as part of Tiger Brands' BEE Phase II transaction that was implemented on 20 October 2009. In terms of this scheme, the above two individuals, PB Matlare and N Segoale, each received an allocation of rights to 16 300 Tiger shares on 31 January 2010 at a notional price of R147,59 per Tiger Brands share. After the lock-in period for this scheme (ie after 31 December 2017), a certain number of the allocated shares will be distributed to them once Tiger Brands has exercised its right to repurchase a portion of the original allocation from the BMT II, in terms of a repurchase formula.

Share dilution limits

In terms of the rules of the Tiger Brands Phantom Cash Option Scheme, at any point in time, the aggregate of the number of Phantom shares relating to all unexercised options in terms of the scheme, together with all unexercised options in terms of the Tiger Brands (1985) Share Option Scheme, is limited to 10% of the total issued share capital of the company. As at 30 September 2013, the aggregate number of all outstanding options under the two schemes represented 1,48% (2012: 1,97%) of the company's total issued share capital.

The maximum aggregate number of shares which may be acquired by participants under the LTIP and any other share plan is not to exceed 5 500 000 (five million five hundred thousand) shares; and for any one participant in terms of the LTIP and any other share plan is not to exceed 550 000 (five hundred and fifty

thousand) shares. In the determination of these limits, shares which have been acquired through the JSE and transferred to participants shall not be taken into account. As at 30 September 2013, the total aggregate number of shares which may be acquired by participants under the LTIP and under the Tiger Brands (1985) share option scheme amounts to 1 048 900 shares.

Retirement benefits

During the year, the group made contributions on behalf of the executive directors to an umbrella retirement scheme operated by Investment Solutions. The scheme is a defined contribution retirement plan, with the company contributing 15,7% (2012: 15,7%) of gross pensionable remuneration for retirement funding purposes. The cost of these contributions forms a component of the directors' total remuneration packages. The four prescribed officers are also members of the abovementioned umbrella retirement scheme.

In addition, four other members of the executive committee participate in the abovementioned umbrella retirement scheme. The remaining member of the executive committee belongs to the Tiger Brands Management Provident Fund, which is a defined contribution plan. The company contributes 15,9% (2012: 15,8%) of gross pensionable remuneration to the Tiger Brands Management Provident Fund for retirement funding purposes.

Details of contributions made during the year ended 30 September 2013 on behalf of executive directors, prescribed officers and other members of the executive committee are set out under note 4.2 of the notes to the annual financial statements.

Other benefits

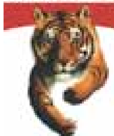
The executive directors, prescribed officers and other members of the executive committee enjoy various other benefits, including medical aid cover, permanent health insurance, death in service and funeral cover, as well as the entitlement to a travel allowance where applicable. Post-retirement death benefits are also provided in respect of the Company Secretary, Mr IWM Isdale.

The total values of other benefits paid in respect of the executive directors, prescribed officers and other members of the executive committee are set out under note 4.2 of the notes to the annual financial statements.

Executive service contracts

Executive directors, prescribed officers and other members of the executive committee are not employed on fixed-term contracts and have standard employment agreements with current notice periods of either one or three months. The current retirement age is 63 although a retirement age of 65 applies to certain individuals.

Contractual entitlements on termination of employment include, for employees who leave for reasons of retirement or retrenchment, a *pro rata* short-term incentive payment, subject to the extent of achievement of the relevant financial and strategic performance targets at the end of the financial year and the necessary individual performance agreement being in place for the individual concerned at the date of his or her exit. Such pro rata incentive payment is subject to the relevant employee being in service for a minimum period of three months during the financial year in question. No *pro rata* bonus



Remuneration report continued

is paid for employees who leave other than for reasons of retirement or retrenchment.

The termination rules relating to options issued under the Tiger Brands Phantom Cash Option Scheme and instruments issued under the Tiger Brands Limited 2013 Share Plan are set out on page 95. All options issued under the Tiger Brands (1985) Share Option Scheme have vested in full and are therefore not subject to any termination conditions.

On 15 June 1999, Mr IWM Isdale entered into an employment agreement with the company in respect of his services as Company Secretary. The employment agreement is subject to a notice period of not less than three months to be given by either party. The company may elect to make the payment of a cash sum in lieu of notice of termination.

In the event of such termination of employment creating an obligation on the employer to pay severance pay to the individual concerned in terms of the Labour Relations Act, 1995, or the Basic Conditions of Employment Act, 1997, then the severance package shall be equal to a multiple of monthly remuneration. The multiple applicable to Mr IWM Isdale currently equates to 19 months' remuneration. The multiple is limited to the number of months that remain from the termination date to the date on which the employee reaches his normal retirement age. The payment is based on pensionable remuneration plus the value of medical aid, group life and permanent health insurance benefits. In addition, a fixed amount will be payable by the company as compensation for the loss of benefits arising in terms of the company's post-retirement death benefit scheme.

Succession planning

Development of a formal succession plan for senior and executive management takes place annually. The plan is discussed and approved by the executive committee and submitted to the remuneration and nomination committee for discussion and final approval. The objective is to ensure that immediate succession is in place and also to develop a talent pool with potential for development and future placement. This includes managers at lower levels. The succession planning process has been extended to include all of the company's international businesses.

External company board appointments

Tiger Brands encourages members of the executive committee to consider accepting appropriate opportunities to serve as non-executive directors on the main board or board sub-committees of external companies. Tiger Brands believes this policy encourages members of the executive to broaden their skills base and experience. A formal policy has been adopted in this regard and, in terms thereof, an executive member will be limited to one substantive outside directorship. In terms of the policy, the Chairman of Tiger Brands as well as the Chairman of the remuneration and nomination committee are required to authorise any such appointment based on a recommendation from the Chief Executive Officer. Directors' fees paid to executive members by outside companies in terms of the policy may be retained by the individual

concerned. Tiger Brands currently has three members of the executive committee serving in the capacity of non-executive directors on the main boards of external companies.

Non-executive directors

Non-executive directors are expected to carry out all the tasks and duties normally associated with the position of a non-executive director as defined by the Companies Act, King III and the memorandum of incorporation of the company. The board and each of its committees have a charter which sets out the responsibilities of the board and its respective committees.

Non-executive directors are expected to provide the organisation with leadership, expertise and knowledge on strategy, enterprise, innovative ideas and to contribute to the business planning of the company.

Non-executive directors are compensated based on their overall contribution and input to the company, and not just for attendance at board and board committee meetings. Consistent non-attendance at meetings, if applicable, will be appropriately handled as part of the company's board evaluation process. On this basis, non-executive directors receive an annual fee for their services on the board and board committees, rather than a base fee and a separate meeting attendance fee, which is contemplated by King III.

There are no contractual arrangements for compensation for the loss of office. Non-executive directors do not receive short-term incentives nor do they participate in the company's long-term incentive scheme. The annual fees payable to non-executive directors for the period commencing 1 March 2013 were approved by shareholders on 12 February 2013.

Fees payable to non-executive directors are approved by the shareholders in terms of the company's memorandum of incorporation. In terms of the company's memorandum of incorporation, non-executive directors who perform services outside the scope of the ordinary duties of a director may be paid additional remuneration, the reasonable maximum of which is fixed by a disinterested quorum of directors.

The board recommends the fees payable to the non-executive directors for approval by the shareholders at the annual general meeting of the company. Proposals for fees are first prepared by the executive committee for consideration by the remuneration and nomination committee. Following consideration by the remuneration and nomination committee, a final recommendation is then made to the board for its consideration prior to being put to the shareholders for approval.

Consideration is given to the increasing levels of responsibility being placed upon directors, as well as to market benchmarks for similar sized companies and projected inflation over the relevant period.

Remuneration report continued

The table below sets out the current and prior year annual fees:

Levels of fees for non-executive directors

For the period 1 March to 28 February (Rand)	2014	2013
Base fee	304 777	287 525
Committee chair		
Audit committee	231 630	218 519
Remuneration and nomination committee	171 940	162 208
Risk/sustainability committee	148 233	134 757
Social, ethics and transformation committee	131 664	124 211
Committee membership		
Audit committee	118 920	112 189
Remuneration and nomination committee	85 970	81 104
Risk/sustainability committee	73 443	67 379
Social, ethics and transformation committee	65 831	62 105
Chairman's remuneration	1 415 382	1 335 266
Deputy Chairman's remuneration	731 464	690 060

The Chairman and Deputy Chairman do not receive any additional remuneration for their participation in the sub-committees of the board.

In addition to the above fees, non-executive directors are currently paid an amount of R16 079 per meeting in respect of special meetings of the board and an amount of R3 216 per hour in respect of any additional work undertaken by them, provided that payment in respect of any such additional work is approved by the remuneration and nomination committee and the Chief Executive Officer.

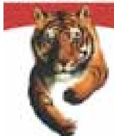
Fees paid to individual non-executive directors for the year ended 30 September 2013 are set out in the table of directors' emoluments reflected under note 4.2 of the notes to the annual financial statements.

The board, based on the recommendation of the remuneration and nomination committee, has determined that shareholders be requested to approve that the various fees payable to non-executive directors, be increased with effect from 1 March 2014. Approval of shareholders will also be sought for increasing the fees paid for attendance at special board meetings and for additional work undertaken by non-executive directors.

Details of the proposed increases are contained in the notice of annual general meeting of shareholders in respect of the shareholder meeting to be held on 11 February 2014. The specific resolutions to be voted on by shareholders in respect of directors' remuneration increases are special resolution numbers 3, 4 and 5.

It is company practice to conduct an external benchmarking exercise on the fees payable to non-executive directors every two years. A market review of non-executive directors' remuneration was undertaken during the current

year and this has formed the basis of the proposed increases, effective from 1 March 2014. However, with the exception of the chairman of the risk/sustainability committee who will receive a market-related adjustment of 13,3%, the proposed fee levels have been limited to a normal inflationary adjustment.



Sustainability

In this section

Our people	110 – 117
Transformation	118 – 122
Corporate social investment	123 – 125
Environmental impact	126 – 129

Our people

The group's people strategy is fully aligned to its corporate strategy. Tiger Brands aims to attract and retain key talent in order to build organisational competencies and leadership capacity for long-term growth and to cement the group's reputation as a good corporate citizen.

We uphold the highest standards and seek to add value to the lives of employees through attractive career opportunities, market-related remuneration and an inclusive and enabling culture. The group fosters a culture of respect with zero tolerance for discriminatory behaviour. Tiger Brands fully complies with employment laws and practices wherever the group operates and is committed to the protection of human rights. To this end, a group human rights policy is in place. The group's Code of Ethics as well as the disciplinary code are communicated to all employees.

A summary of the group's performance for the year is included in the table below:

Key indicators

	2013	2012
Employee headcount*	15 048	12 739
Female employees	3 386	3 070
Employee turnover rate	10,2%	10,6%
Learnership participants	159	158
Total training spend (Rm)	10,1	10,9

**Includes international operations.*

Employee engagement

The annual employee climate survey is intended to assess employees' perceptions of the group. For the fifth year running, the group participated in Deloitte's 'Best Company to Work For' survey. We achieved a score of 3,37 out of 5, behind our target score of 3,7. Each business unit prepares and implements action plans to address key priority issues raised by the employees in the survey.

As part of our workplace culture scheduled meetings are held daily at our production sites. These focus on pertinent issues which improve productivity and safety and provide a regular opportunity for feedback from our employees.

Labour relations

We believe in creating a positive, safe and fair working environment for all our employees. We therefore work closely with our bargaining units to ensure that all employees have a voice in the matters that affect them daily.

The group's employees enjoy full freedom of association. Approximately 69% of employees belong to 13 unions at 39 sites. The site management and shop stewards meet on a monthly basis. Further, at each site, unions are represented on forums that monitor employment equity, skills development and any other issues requiring management attention.

Clear communication between staff and management helps to ensure that disputes are resolved and grievances are aired and dealt with appropriately by all parties. The primary aim of our disciplinary code is to serve as a guideline to all managers and employees of the company to:

- create a fair and equitable structure for dealing with misconduct; and
- encourage timely corrective action in the event of an employee's behaviour or conduct being unsatisfactory or unacceptable.

A multi-country employer

Tiger Brands employs 8 990 permanent staff and a further 1 500 temporary staff within South Africa. These figures exclude seasonal and casual workers, who for the year under review numbered 3 176. The group's total salary bill in South Africa in 2013 was approximately R2,9 billion compared to R2,5 billion in 2012.

Outside South Africa, the group employed a further 3 770 permanent staff and 788 temporary staff, bringing to 15 048 the total employee count (excluding seasonal and casual workers).

Tiger Brands' workforce profile

	South African employees								International*	International
	African	Indian	Coloured	White	Disabled	Permanent	Temporary	Total	Permanent	Temporary
2013	**6 178**	**739**	**1 192**	**881**	**68**	**8 990**	**1 500**	**10 490**	**3 770**	**788**
2012	6 260	777	1 027	938	76	9 002	1 079	10 081	1 876	782
2011	6 172	769	1 067	996	74	9 004	990	9 994	1 751	1 149

International employees are accounted for only where Tiger Brands is the majority shareholder.

Talent and performance management

Talent management is a strategic business priority. Our aim is to ensure an effective pipeline with the development of high-potential individuals.

Performance agreements defining key outputs and success measures, and potential inhibitors to performance are concluded annually by each employee. These individual performance agreements, developed in October each year, form the basis for performance management. Every employee of Tiger Brands also has a personal development plan to determine current development needs and build future capability for career advancement. Formal performance reviews are conducted twice a year.

Since 2011, we have implemented an international assignment policy in terms of which qualifying employees can be seconded to group businesses outside their home countries on expatriate assignments. To date, 13 employees have been placed in Cameroon, Ethiopia and Nigeria. This means that in addition to cross-category career growth opportunities, our employees have an option to grow their careers across multiple geographies and countries.

All employees receive annual leave in line with or exceeding the statutory requirements laid out in the Basic Conditions of Employment Act (South Africa) and similar legislation in other regions in which we operate. Long service is also recognised with leave allocations increasing proportionately, where appropriate.

Our people continued

Our maternity and paternity leave policy and remuneration are in line with statutory requirements, as we believe strongly in supporting our employees in their familial needs. Tiger Brands also has flexible working conditions for employees in specific roles.

Employee turnover

	2013 %	2012 %
Resignation	2,6	2,9
Retrenchment	1,9	2,0
Retirement	1,5	1,9
Dismissal	2,9	2,6
Deceased	0,9	0,7
Other (disability/absconded)	0,4	0,5

We track our ability to attract and retain key talent by measuring our recruitment success rate as well as our retention rate. Our overall staff turnover rate was 10,2% in 2013, down from 10,6% in 2012. The company has a retention target of 80% for key and critical talent, ie those employees identified as having technical or management skills. In 2013, we retained 87% of key and critical talent (2012: 85%), well ahead of our target.

Given the economic pressures, we continue to consolidate some roles and optimise the organisational structures.

Competitive compensation

In addition to salaries and benefits, our employees have the opportunity to share in the wealth created by Tiger Brands through equity ownership mechanisms including the General Staff Trust and the Black Managers Trust. More than 8 000 employees participate in the General Staff Trust and have received bi-annual dividend payments since January 2006. Over 400 qualifying managers participate in the Black Managers Trust which aims, in addition to fostering employee ownership, to facilitate attraction and retention of skilled black managers.

An annual short-term profit incentive scheme meaningfully rewards performance, while the long-term incentive programme aligns medium to long-term retention of key employees and wealth creation for our shareholders.

Best-in-class people practices

All South African businesses have now migrated their payrolls to a single ERP platform, in addition to the shared web-based learner management and recruitment portals. This has also enabled us to progress to integrating performance management, talent management, and learning and development.

Enabling and inclusive culture

Tiger Brands is committed to entrenching a values-based culture. Tiger Stripes is the group-wide employee recognition programme in this regard. Altogether 13 deserving people and three teams were nominated as Tiger Stripes finalists in 2013. The overall winner in each category receives an award at an annual gala dinner. In addition, we present the Chairman's Award for best overall business performance and the CEO's Award aligned to the year's identified strategic theme.

Our Exports business received the Chairman's award in 2013.

The strategic theme for the 2013 CEO Award was 'consistent exceptional performance', awarded to Amanda Ewen (Category Executive: Baby).

At our manufacturing units, we have implemented a workplace improvement process aimed at aligning business realities, to create ownership and engender higher levels of commitment. The programme specifically seeks to improve relationships between management and employees and is further reinforced in a Code of Conduct. As part of the programme, scheduled meetings have been implemented at 93% of our manufacturing facilities. Employees have the opportunity to highlight challenges from the previous day, suggest resolutions and agree performance targets for the day ahead.

Our people continued

The '20 Keys' programme, the group's continuous improvement programme designed to drive 'world-class manufacturing practices' is implemented at 88% of manufacturing sites of the South African businesses and at the Kenyan and Ethiopian sites. This is further evidence of the group's culture improvement process. Plans are afoot to commence the implementation of this programme at all our Nigerian operations.

Health and safety

As a food manufacturing company, the health and safety of our employees is critical. Tragically, during the year, two fatalities occurred as reported below.

The group CEO is ultimately responsible for the safety of our employees and reports to the risk and sustainability committee as well as to the audit committee on such matters. The implementation at all 39 sites in South Africa is delegated to the health and safety committees, which are led by the supply chain executives and site management. This discipline is also embraced in our Cameroonian, Ethiopian, Kenyan and Nigerian operations.

Tiger Brands has an advanced risk management programme at all of the group business units within South Africa and internationally. The group employs accredited risk management company Marsh, to assess the implementation of and adherence to the programme and to provide third-party verification. The occupational health and safety element is fully aligned to the principles of ISO 18 000 and the South African Occupational Health and Safety Act.

During the year, 670 employees received health and safety training. All employees attend a SHE induction programme.

The key occupational health issues for employees working on-site include noise levels and dust. Those working in factories are provided with protective clothing which includes ear pieces, masks, gloves and thermal clothing as appropriate to mitigate these issues.

Our health and safety target of 95% encompasses issues such as risk control, fire defence, emergency planning, health and safety. In 2013, our operations achieved 93% up from the 92% achieved in 2012. As a group, the average risk compliance scores have increased in every category measured except for fire defence, where improvements are being implemented on the whole, with the exception of newly acquired business units that were audited for the first time, results have either remained stable or improved, indicating improvements in risk mitigation.

There were two fatalities in the year under review in two separate incidents involving an employee and contractor at two of our sites. Corrective action is being taken to mitigate the risk of such accidents occurring in future. There was a decline in significant accidents (see table on next page).

Generally accepted food manufacturing standards are rigorously applied and food safety at all facilities is audited by independent assurance providers on an ongoing basis.

Table of fatalities and injury rates at Tiger Brands' facilities

Key performance indicators	2013	2012	2011	2010
Fatalities	2*	0	0	0
Disabling injury frequency rate (DIFR)	0,67	0,78	1,03	1,26

One employee and one contractor

Employee wellness

Our employee wellness support programme offers a 24-hour telephonic counselling service as well as face-to-face professional counselling, and has been extended to all employees. Users can access psychologists, social workers, dieticians, biokineticists, and financial and legal advisers. A total of 210 employees accessed this service in the 2013 financial year.

During the year, we invested over R8,1 million in our on-site clinic services (2012: R7,4 million). Through the clinics and contracted professional services, we provide a comprehensive employee wellness service. The clinics offer occupational health support as well as limited primary healthcare free of charge to all permanent and temporary employees on site. Our clinic in Ashton is also open to the community. Contracted services include an HIV/Aids management programme and an employee advisory and counselling service, which are also offered free of charge to all permanent and temporary employees.

We have a comprehensive HIV/Aids framework which includes support for HIV-positive employees through the above programme. In 2013, 496 employees were voluntarily counselled and tested (2012: 1 091). 93% of employees who tested positive have enrolled on the programme. Our overall recorded prevalence rate is 2,54% (2012: 2,73%).

We also offer all employees voluntary membership to our in-house medical scheme which offers cost-effective comprehensive health cover. The Mzansi option, an affordable plan, was introduced with effect from 1 January 2012. The scheme has 4 404 principal members (down from 4 559 in 2012) and 9 928 beneficiaries. There are 201 employees covered by Sechaba Medical Solutions (Sizwe). Additionally, 674 employees are on the Food Workers Medical Benefit Fund and 44 are on Umvuzo.

Skills development

We believe the training and development of all employees is a prerequisite to creating a competitive advantage. Employees have the opportunity to continually develop themselves through workplace qualifications and shorter, function-specific programmes.

Documented objectives and targets are submitted to the FoodBev Seta in the Workplace Skills Plan and Annual Training Report.

Our people continued

In 2013, we invested approximately R10,1 million (2012: R10,9 million) in in-house training, which is led through the academy as well as learnerships. Programmes included:

- *Tiger Brands Academy:* Our in-house learning institution comprises the Marketing Academy (encompassing School of Magic), Supply Chain Academy, IT Academy, Leadership Academy, Finance Academy, Global Academy and Customer Academy. A total of 499 employees participated in programmes during the year under review, as reflected in the table below, up from the 443 who participated in 2012. The total training days provided through the academy was 3 364 (2012: 2 548).

Academy	2013 No of learners	2013 Training days	2012 No of learners	2012 Training days
Finance	11	22	17	33
Customer	171	2 086	91	1 092
Leadership	43	302	54	512
IT	28	28	35	35
Marketing	49	378	48	317
Manufacturing	197	548	198	559
Total	499	3 364	443	2 548

- *Leadership Licence programme:* 29 licensed leaders graduated from this customised leadership development programme based on the 20 Tiger Brands' leadership competencies.

- *Learnerships:* The Tiger Brands Academy offers the following learnerships:

Learnership title	2013 intake	2012 intake	Qualified in 2013
National certificate in manufacturing management (NQF 5)	5	22	–
National diploma in manufacturing management (NQF 6)	11	24	–
FET certificate in generic management (NQF 4)	–	19	–
Meat processing learnership (NQF 3)	24	25	24
Electrical learnership (artisans and apprentices) (NQF 3)	–	6	–
Electrical learnership (artisans and apprentices) (NQF 2)	–	3	–
Fitter learnership (artisans and apprentices) (NQF 3)	–	3	–
Packaging learnership (NQF 3)	26	33	–
Plant baking learnership (NQF 3)	–	–	–
Apprentices	5	23	3
Machine operators	88	–	88
Total	159	158	115

- *Graduate programme:* In 2013, a further five graduates joined us as part of the structured 12-month graduate programme. This brings to 96 the total number of graduates who have enrolled on the programme since 2006, 45 of whom have since been retained by the group.

- ***Workplace experience project:*** Through this programme, 31 young people received workplace experience in food technology, engineering, marketing, production and operations. These students become a feeder pool for the Graduate programme on page 116 and other entry-level appointments. Of the 240 people who have been through the programme since 2008, approximately 26 are currently employed by the business.

- ***Adult Basic Education and Training (ABET):*** We have a well-entrenched ABET programme to support adult literacy within our group and during the year we spent over R368 000 in this regard. A total of 52 registered learners completed the programme (2012: 54). Currently there are 385 registered learners at different levels, ie from Basic Oral (BO) to Level 4 as reflected in the table below (2012: 390).

		Literacy					Numeracy				
Year	Active learners	BO	1	2	3	4	BO	1	2	3	4
2013	385	7	49	133	67	51	0	19	29	19	11
2012	390	6	57	92	79	62	0	27	39	24	4
2011	467	18	61	130	86	59	0	36	46	27	4
2010	540	9	114	165	78	52	0	23	67	25	7

- ***External programmes:*** Our development programmes aimed outside the group to foster a deep skills pool in South Africa, include:
  - ***Thusani Trust:*** Through this trust, we offer bursaries to qualifying black employees' children. In 2013 R2,7 million (2012: R3,2 million) was spent on bursaries for 149 students (2012: 185). A total of 325 students have graduated from tertiary institutions since 2007 with the Trust's support, with 91 graduating in 2013. (The Trust owns 1,84% of Tiger Brands' share capital).
  - ***Engineering bursaries:*** We awarded two bursaries during 2013, bringing to nine the total number of beneficiaries being supported.
  - ***IkusasaLami project:*** This project supports high school learners from non-fee paying schools. The learners visit Tiger Brands on a quarterly basis for exposure to the business as well as for career guidance. If the learners are interested in pursuing engineering, they are invited to apply for the Tiger Brands engineering bursary programme (see above). In 2013, 21 learners were supported through this programme.

In summary, our investment in people is depicted in the table below:

Programme	Total number of students	Total number of training days
Tiger Brands Academy	499	3 364
ABET	385	832
Employee bursaries	34	340
Total employees	918	4 536
Support for full-time external students		
Thusani Trust	149	
Engineering bursary beneficiaries	9	
IkusasaLami learners	21	
Total external support	179	
Grand total	1 097	

Transformation

In South Africa, compliance with B-BBEE and employment equity legislation is a business imperative. We have built a solid foundation for transformation and are a Level 3 contributor, independently verified by EmpowerLogic.

Tiger Brands B-BBEE scorecard

	Available points 2013*	2013*	Available points pre 2013	2012	2011	2010
Ownership	20	19,7	20	19,7	18,4	19,7
Management control	10	7,6	10	6,5	6,5	9,6
Employment equity	10	5,1	15	7,5	9,6	9,1
Skills development	20	11,2	15	8,1	9,1	9,5
Preferential procurement	20	18,8	20	18,8	18,8	18,8
Enterprise development	10	7,5	15	11,7	10,3	10,1
Socio-economic development	10	10,0	5	5,0	5,0	5,0
Total	100	79,9	100	77,3	77,7	81,8
Level		3		3	3	3

Tiger Brands is now measured in terms of the Agriculture Sector Codes as gazetted on 28 December 2012.

The ongoing focus areas, for both the year under review and the immediate future, are employment equity, skills development and enterprise development.

Ownership

Shareholder	Percentage
Brimstone (a Black Economic Empowerment investment company)	1,0%
Tiger Brands Foundation	5,0%
Employees	
Black Managers' Trust	4,0%
General Staff Trust	0,5%
Thusani Trust, (beneficiaries are children of black employees)	1,8%
Effective black ownership (using the exclusion principle)	25,5%
Total black women	4,3%

Management control

Tiger Brands' board includes five black directors, one of whom is female. Management control is driven at a group level by the board and the Chief Executive Officer.

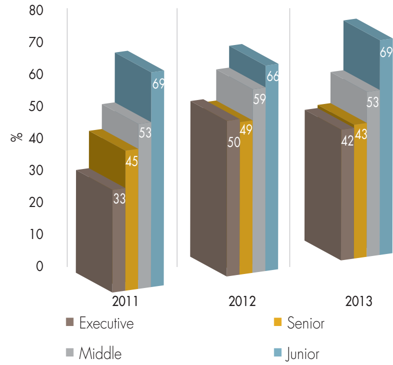
Black directors and executive management (% of total complement)

Employment equity

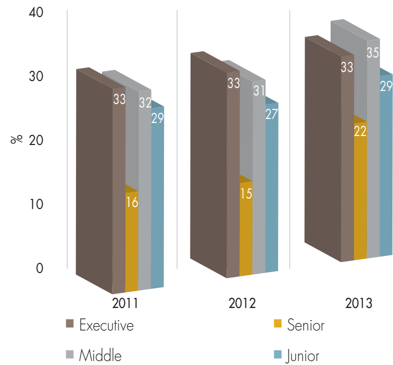
In South Africa 90,2% of our employees in 2013 are black (African, Indian and Coloured), 28% are women, and 0,76% are disabled.

Tiger Brands remains committed to growing its black management talent pool. The graph to the right shows our performance. A number of our black talented staff have also moved into expatriate roles which would not be reflected in the figures to the right. We realise that achieving employment equity is a long-term challenge and therefore invest in the junior and middle management levels in order to develop a pipeline of future black leaders at the senior and executive level.

Percentage of black management



Percentage of women



Transformation continued

Skills development

See "Our People".

Preferential procurement

Tiger Brands spends over R13 billion measured spend per annum on goods and services. The group has a policy in place to encourage suppliers to improve their B-BBEE performance, either by one level per annum in step with Tiger Brands, or two levels per annum if their rating is well below acceptable levels as defined in the B-BBEE Codes.

This policy has accelerated transformation of our supply chain, with approximately 80% of our total measured spend currently being with B-BBEE compliant suppliers, valued at over R10 billion.

Enterprise development

Tiger Brands recognises that enterprise development is crucial to the transformation of South Africa in that it helps provide business opportunities, financing and support for black-owned business.

In 2013, we achieved a score of 75,2% in this area, down from 77,9% in 2012, and spent R28,2 million (2012: R59,9 million).

Tiger Brands' enterprise development strategy outlines clear criteria for investing in black-owned businesses, and attempts to identify opportunities in the value chain.

Lessons learnt, value, growth and jobs created for the projects

Success stories in this arena are set out below:

Nceku Trucking

Tiger Brands funded R5 million worth of equipment (trucks) for Nceku Trucking and procures its services for transporting products. The business is expected to pay off its equipment and become self-sustaining by 2014. Since its inception in August 2009, Nceku Trucking has grown to employ six people.

Catering partnership with the Centre for Culinary Excellence

The catering partnership is intended to build capability (cooking and catering skills) among black-owned catering companies and chefs in a manner that facilitates a route to market for our Out of Home and Groceries divisions. The programme has completed the first phase of training and started a second phase aimed at rural women involved in the catering business. Further, the company has expanded from Johannesburg to KwaZulu-Natal. Tiger Brands has built kitchens in Alexandra (where as part of the Foundation, we are feeding six schools in the area) and graduates from the catering school are encouraged to rent the kitchens over the weekends to run their own small catering business.

Khayelitsha Cookie Company (KCC)

Tiger Brands' Purity and KCC share a joint vision to create a company that produces the best cookies in South Africa while also radically changing the lives of the women involved in the company.

Through this partnership KCC produces the Purity Goodies Rusks and Biscotti products which are carefully hand pressed and baked by the women of the Khayelitsha community in the Western Cape.

Initially Purity started supporting KCC by providing a R1 million grant which enabled KCC to upgrade their factory and purchase new equipment. From only two ovens the factory has grown into a fully fledged commercial business with a staff complement of 52 women and ensuring these women receive a secure income.

The Tiger Brands' Purity team provides technical, operational and financial support to KCC on a monthly basis.

Transformation continued

Limpopo tomato farmers' project

The Tiger Brands' Tomato Farmers Project aims to support black farmers with seedlings, operational costs, mentorship and access to market for their produce. There are currently 67 enterprise development beneficiaries from the Nwamitwa community of Musina in Limpopo.

Each year Tiger Brands provides seedlings valued at R2,7 million. Farmers receive these seedlings interest-free and repayment is made on delivery of tomatoes to Tiger Brands' tomato factory. In addition farmers receive an interest-free advance to assist with their operational costs. Tiger Brands commits R1,7 million for this purpose.

A dedicated depot close to the farms ensures easy and affordable access for delivery of the tomatoes. From here they are transported to the Musina plant at a subsidised rate.

In addition to financial support Tiger Brands offers these farmers agricultural and operational mentoring and advice throughout the farming process.

The 67 farmers farm on 285 hectares, producing 16 230 tonnes of tomatoes, which equates to 27% of the total annual tomato volumes required by the Tiger Brands Tomato Manufacturing unit.

Through this programme Tiger Brands provides the farmers with guaranteed access to market, thereby ensuring their sustainability and growth. In addition, the programme creates approximately 1 500 seasonal jobs from February to September each year.

Corporate social investment

Adding value to life sustainably

In addition to driving profitability and wealth creation for shareholders, the group's social responsibility extends to the broader communities in which it operates. Tiger Brands holds a proud record of accomplishment of social investment across the country and focuses its corporate social investment (CSI) efforts on food security, nutrition education, hygiene and sanitation. The group's CSI goal is to ensure that its contribution helps to build and strengthen communities and adds value to people's lives.

To this end, employee involvement is encouraged in community-related initiatives whose beneficiaries comprise the vulnerable – orphans, children, youth, women, people infected with HIV/Aids, the disabled and the disadvantaged.

2013 highlights

In 2013, the group donated R22,9 million to various socio-economic development initiatives. During the year, we provided 12 million meals on a daily basis and 107 000 monthly food parcels. The group's CSI strategy is executed through established policies and procedures, which are overseen by the social, ethics and transformation committee. The group carries out a regular review of its beneficiary organisations to ensure the achievement of the most effective impact on our communities.

The following highlights the key projects undertaken during the year:

- ***December food parcels:*** Basic food supplies were provided to 16 500 learners and their families in Alexandra Township to sustain the beneficiaries in the Tiger Brands Foundation in-school breakfast feeding programmes over the December school holidays.
- ***Nelson Mandela Centre of Memory:*** Three-year partnership concluded with the Nelson Mandela Centre of Memory to distribute food parcels to commemorate Mandela Day.
- ***Employee volunteering:*** Employees spent time on community service projects at beneficiary organisations affiliated to Tiger Brands and other organisations within their own communities where they cooked, painted, cleaned, entertained children, planted vegetables and distributed food parcels.
- ***Tiger Brands Foundation 10 millionth breakfast:*** The ceremonial serving of our 10 millionth breakfast was held at Gqebenya Junior Secondary School in Lady Frere District (Eastern Cape). The Minister of Basic Education Hon Angie Motshekga accompanied the Tiger Brands CEO and the Tiger Brands Foundation Trustees to this auspicious event.
- ***NSNP annual school competition:*** The Foundation signed a three-year sponsorship of a kitchen to the winning school in the Department of Education's annual competition for the best performing school in school nutrition. The first recipient in 2012 was Tsembalefethu Primary School in Mpumalanga.
- ***Tiger Brands Foundation Partnership with Vodacom:*** The Tiger Brands Foundation facilitated Vodacom's Mandela Day initiative of staff giving 67 minutes to pack and distribute 20 000 food parcels to vulnerable families in Alexandra, Daveyton, Pinetown, Witbank and Nelspruit.

Corporate social investment

continued

Socio-economic impact

Our CSI projects (excluding the Tiger Brands Foundation) are executed through various delivery channels as illustrated below:

Contribution channels	% spend
Food provision and sustainable support to NGOs	79
School holiday food parcels	10
Cause related marketing	8
Ad hoc donations and humanitarian support	3
	100

Partnerships

Fundamental to achieving our goals are our valuable partnerships with non-governmental and other community organisations, including the following:

Strategic food security partnerships

- *African Children Feeding Scheme (ACFS):* ACFS started 67 years ago as a soup kitchen for impoverished children in Alexandra and Soweto. Tiger Brands' partnership with ACFS began 10 years ago to assist malnourished children in various townships. The scheme supports 31 000 children daily and provides monthly food parcels to 1 200 families. Through the feeding scheme, health education and constant weighing of the children, ACFS has noted significant progress in the health of beneficiaries and improvements in their well-being, reduced school absenteeism and improved self-esteem. In addition, Tiger Brands supports skills development programmes for the parents/guardians of the children.
- *Stellenbosch Community Development Project (SCDP):* SCDP feeds 1 600 children daily in Kyamandi, Stellenbosch, and an additional 900 children are fed by their satellite centre. Food parcels supplied by Tiger Brands are distributed in collaboration with Sustainable Livelihoods, a supportive intervention for 100 unemployed parents of malnourished children to become financially self-sufficient.
- *Heartbeat Centre:* Tiger Brands has been supporting the centres since 2002 and provides 2 034 monthly food parcels to families affected by HIV/Aids and social grant dependent caregivers within various townships. The organisation provides a holistic care programme involving material support, education, children's empowerment, rights and access to basic services.
- *St Clement:* Located in KwaZulu-Natal, St Clements provides home visits to HIV/Aids affected families to ensure that the sick are monitored and well taken care of by community healthcare workers. Tiger Brands started funding the centre in 2007 providing food parcels as part of the organisation's Meals on Wheels initiative. The centre also educates families about infection control, pain relief and general patient care. Aids awareness campaigns are held regularly, including career guidance to the community, especially the youth. Voluntary healthcare workers conduct home visits and a sewing project which includes knitting, and beadwork is also in place to generate income for the organisation. The centre provides food parcels and meals on wheels to 3 331 beneficiaries.

Flagship cause-related marketing initiatives

- *'Are You Game?' project:* A basketball programme was designed by Africa Youth Development Foundation (AYDF) in association with Tiger Brands to develop young leaders in disadvantaged communities to empower them as responsible citizens. Over 17 000 pupils were reached through mass motivation sessions offered by AYDF, with 2 044 learners successfully completing the life skills programme, including nutrition education under the "Eat Well Live Well" theme. AYDF has partnerships in place with 21 primary schools, trained 42 unemployed out-of-school volunteers and 25 of them have

since received formal employment within and outside the programme.

- *Avril Elizabeth Campaign:* A partnership has existed over the past 21 years between Elizabeth Anne and the Avril Elizabeth Home for the intellectually and physically disabled. The project is aimed at raising awareness and funding for the Avril Elizabeth Home, to support the 147 permanent and 23 daycare residents. For every Elizabeth Anne and Purity toiletry item purchased, 10 cents is donated to the Avril Elizabeth Home, with R6 million raised since inception.

Ad hoc humanitarian support

- *Disaster relief:* Tiger Brands has responded to various pleas for help during the times of distress. The hail storm disaster in Cape Town is one of the interventions which was carried out in June 2013. Tiger Brands promptly provided food products to assist with the 20 000 people affected across the Peninsula, which saw 9 000 shacks flooded, due to persistent rains.

  In September 2013, we provided support through the distribution of various food products to 661 families who were left displaced due to shack fires in Diepsloot, Kya Sands and Ivory Park in Gauteng.

The Tiger Brands Foundation

The Tiger Brands Foundation was established in 2010 and owns 5% of the shares in Tiger Brands Limited. The dividend stream to the Foundation has ensured that it has a consistent and viable source of funding to support in-school breakfast feeding programmes for 39 000 children per day during weekdays in 60 non-fee-paying schools across six provinces and in partnership with the Department of Basic Education.

Focusing specifically on in-school breakfast feeding programmes at non-fee-paying schools in vulnerable communities, the Foundation works together with the Department of Basic Education. Since its inception the partnership has demonstrated that an effective public-private partnership in-school breakfast feeding programme can make a significant difference, with reduction of obesity, increases in learner attendance, class participation and performance. During the year, the Foundation appointed a provincial co-ordinator in each province to enable regular monitoring at all schools and ensure the standards stipulated in the Foundation's memorandum of agreement are met. The role encompasses monitoring of deliveries, food preparation, food storage and conditions of the kitchens. The 60 schools use cellphone technology to upload real-time data on a daily basis on the performance of the in-school breakfast feeding programme. Reports are generated and shared with the Department of Basic Education based on reliable and consistent data.

Further, the effectiveness of the programme was confirmed by independent research undertaken by the University of Johannesburg: Centre for Social Development in Africa in the six pilot schools in Alexandra (Gauteng). (A full copy of the University of Johannesburg research is available on our website www.thetigerbrandsfoundation.com.)

During the year, the Foundation extended the scheme from 35 to 60 schools in Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo and Western Cape, and now, including the Eastern Cape, feeding over 39 000 learners. This has in turn created 197 new jobs for food handlers who prepare the breakfast provided by the Foundation and the lunch provided by the government. Each food handler is paid a stipend by both the Foundation and the Department of Education.

Environmental impact

Tiger Brands has in place a formal environmental policy, which outlines its commitment to identify environmental and climate change risks, taking actions to address weaknesses and forging strong relationships with relevant stakeholders. The group is committed to setting targets and monitoring, measuring and reporting on environmental issues in line with international best practice standards such as ISO 14001.

Focus areas

The group is focused on four key areas of improvement:

- *Energy*

  Given the urgent need for a response to global climate change, smart energy management is now an important priority in the group's manufacturing processes. In light of South Africa's reliance on coal, many companies, including Tiger Brands, have agreed an energy management policy that addresses the country's short and long-term needs.

  In 2011, the group assessed its energy consumption and targeted a 10% reduction over a three-year period. This target was met. The group is now targeting a reduction in energy intensity of 15% by 2016 from 2013 as the base year, which translates to a 5% reduction each year.

- *Water*

  Global water scarcity will increase over the next 20 to 30 years. In South Africa, it is likely the trend will affect the availability, cost and quality of water, as will the increased demand arising from the government's commitment to providing basic and quality services to all of its citizens. The group will endeavour to reduce its operational water footprint without compromising the quality and integrity of its products. The group is targeting a reduction in water consumption and water discharges by 5% per year for the next three years.

- *Packaging*

  Tiger Brands' initial focus has been on the waste generated by the group. As a packaged, branded consumer goods company, the group is deepening its understanding of packaging options and how they contribute to waste generation. We are currently looking at several innovative options for reducing our overall packaging impact on the environment. The group is targeting a 4% reduction in packaging annually over the next three years.

- *Waste*

  Waste management practices differ between developed and developing nations, urban and rural areas, and residential and industrial producers. Consequently, while Tiger Brands' standards are influenced by best practice internationally, local conditions and regulatory environment are always taken into account A key point in South African legislation is the promotion of stewardship at a company level, so the group's focus has been on waste segregation. Over time, the intention is to reduce landfill volumes and implement the myriad of recycling opportunities. The group is aiming to reduce waste, on a comparable basis, by 4% per year.

2013 performance scorecard

As indicated below, the group met and exceeded the targets set for energy, water and waste. However, packaging increased slightly, due to volume growth.

	2013	2012	% improvement
Energy (MWh/ton)	0,35	0,43	19
Water (kℓ/ton)	1,33	1,88	29
Waste (ton)	0,03	0,04	25
Packaging (ton)	0,70	0,94	26

These improvements were achieved as a result of a combination of initiatives that were implemented:

Energy

- Replaced high-usage three-phase motors with variable-speed drives
- Installed energy-efficient lighting
- Upgraded and replaced low-efficiency compressors with higher-efficiency units
- Replaced geysers with heat pumps for hot water usage
- Improved power factor correction
- Adapted roofing to allow for use of natural lighting in factories
- Improved coal usage by fixing and replacing old steam traps
- Optimised coal feed systems on some sites
- Commissioned new facilities with energy-efficient operations such as the bakeries in Durban and Pietermaritzburg, and a new mill in Hennenman
- Biomass (peach pits) introduced in one of Tiger Brands' facilities to reduce coal consumption in boilers

Water

- Changed cleaning habits in factories by using less water
- Reduced steam seepage by fixing leaks
- Introduced water recycling in manufacturing operations

Waste

- Deployed waste segregation practices at manufacturing level
- Increased recycling of waste and waste streams reducing landfill

Carbon emission reductions

Tiger Brands has committed to reducing its carbon emissions by focusing on energy efficiency improvements in its operations. To monitor and measure improvements and GHG reductions, the group focuses on intensity reduction, a reduction in the ratio of usage energy by tons of product produced, to allow for meaningful monitoring within a growing business.

The table overleaf shows our scope 1, 2 and 3 emissions over two years. The figures cover all South African manufacturing sites. In line with strategy, we have focused on South African operations thus far, and will extend this to the international operations in the rest of Africa over the next three years.

Environmental impact continued

	2013	2012	% improvement
Direct GHG emissions (eg GHG Protocol Scope 1) (CO_2 equivalent)	**243 675,37**	247 169,00	1
Electricity indirect GHG emissions (eg GHG Protocol Scope 2) (CO_2 equivalent)	**244 936,00**	253 167,00	3
Other indirect GHG emissions (eg GHG Protocol Scope 3) (CO_2 equivalent)	**89,26**	69,39	(29)
CO_2	**488 700,63**	500 405,00	2
Carbon intensity	**0,15**	0,29	48
Energy use	**0,35**	0,43	19

Environmental training and development

The group's operations adhere to all relevant environmental regulations. Environmental Compliance and Safety training is periodically carried out on a site-by-site basis by Alexander Forbes and when there are changes to the Environmental Policy and attendant procedures. Refresher training forms part of each site's induction programme and highlights the requirements and responsibilities, and provides access to the Environmental Policy and all supporting documents.

Sustainable agriculture

A key component of our procurement policy is to secure our supply requirements from sustainable sources. In order to achieve this, we have built strong partnerships with key growers.

Our focus during the year was on the introduction of new techniques, best practices and new technology. This was driven by our agricultural team through producers and primary processors who deliver produce via contract arrangements to Tiger Brands. The contract arrangements give stability and ultimately sustainability to both businesses:

- The producer or primary processor is assured of a "market" and payment for the produce. As the contract is with a listed and reputable company, the contract can be used to access credit if needed.
- Tiger Brands is assured of raw material – according to capacity in factories and production schedules which is a function of the sales forecast.

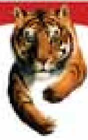
The following initiatives were implemented during the year:

- New techniques
  - Alternative planting and harvesting methods
  - Alternative irrigation methods resulting in saving on both water and electricity
  - Crop rotation which helps limit diseases and benefits future crops
- Best practices
  - Introduction of latest global techniques
  - Rolling out best practices from local producers in other areas in South Africa to contracted producers

  - Assistance with trials to determine best practices under different growing conditions in specific regions
- Benefits of new technology
  - Higher yields: both on farm and in the factory
  - More disease resistance, which reduces the need for chemical applications and thereby cost as well as a lower risk of residues
  - Shorter growing season

Durum procurement

Tiger Brands procures between 12 000 and 15 000 tons of durum annually in the Prieska, Marydale area, and owns the seed royalty on the Kronos cultivar. Tiger Brands is the only company in South Africa that uses locally produced durum for pasta. Durum wheat's characteristics make it more suitable for pasta making than normal bread wheat. Due to its weather patterns and irrigation capabilities Prieska, Marydale, is the most suitable area in South Africa to cultivate durum. The initiative will be rolled out to the Douglas area for the first time this season.



Annual financial statements

In this section

Responsibility for annual financial statements	132
Report of the independent auditor	133
Directors' approval	134
Certificate by Company Secretary	134
Preparation of annual financial statements	134
Statutory information	135 – 136
Effects of changing prices	137
Income statements	138
Statements of comprehensive income	139
Statements of financial position	140
Statements of cash flows	141
Notes to the cash flow statements	142 – 143
Statements of changes in equity	144 – 146
Notes to the financial statements	147 – 223
Annexure A	224
Annexure B	225
Annexure C	225

Responsibility for annual financial statements

The directors of Tiger Brands Limited are responsible for the integrity of the annual financial statements of the company, consolidated subsidiaries, associates and the objectivity of other information presented in the Integrated Annual Report.

The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems, the maintenance of an organisation structure which provides for delegation of authority and establishes clear responsibility, together with the constant communication and review of the operations' performance measured against approved plans and budgets.

Management and employees operate in terms of a code of ethics approved by the board. The code requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of all aspects of the business.

The annual financial statements, prepared in terms of International Financial Reporting Standards, are examined by our auditors in conformity with International Standards on Auditing.

An audit committee of the board of directors, composed entirely of independent non-executive directors, meets periodically with our internal and external auditors and management to discuss internal accounting controls and auditing and financial reporting matters. The auditors have unrestricted access to the audit committee.

The directors have no reason to believe that the group's operations will not continue as going concerns in the year ahead, other than where closures or discontinuations are anticipated, in which case provision is made to reduce the carrying cost of the relevant assets to net realisable value.

Report of the independent auditor

To the shareholders of Tiger Brands Limited

We have audited the consolidated and separate financial statements of Tiger Brands Limited set out on pages 62, 63, 135, 136 and 138 to 225, as well as the directors' share option scheme detail within the tables on pages 97 to 101 which comprise the statements of financial position as at 30 September 2013, the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information and statutory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Tiger Brands Limited as at 30 September 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2013, we have read the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Derek Engelbrecht
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road, Sandton, 2196
13 December 2013

Directors' approval

The annual financial statements for the year ended 30 September 2013, which appear on pages 62, 63, 97 to 101, 135, 136 and 138 to 225, which are in agreement with the books of account at that date, and the related group annual financial statements, were approved by the board of directors on 13 December 2013 and signed on its behalf by:

André Parker
Chairman

P Matlare
Chief Executive Officer

13 December 2013

Certificate by Company Secretary

Certified in terms of section 88(2)(e) that the company has filed required returns and notices in terms of the Companies Act No 71 of 2008, and that all such returns and notices appear to be true, correct and up to date.

I W M Isdale
Company Secretary

13 December 2013

Preparation of annual financial statements

The preparation of the annual financial statements for the year ended 30 September 2013, which appear on pages 62, 63, 97 to 101, 135, 136 and 138 to 225, has been supervised by O Ighodaro, Chief Financial Officer of Tiger Brands Limited.

Statutory information

Authorised and issued share capital

Details of authorised and issued share capital are set out in notes 24 and 25 on pages 192 and 193 of the annual financial statements and in the statement of changes in equity on pages 144 and 145.

During the year under review, the number of shares in issue increased by 351 430 shares as a result of options exercised in terms of the Tiger Brands (1985) Share Option Scheme.

Share purchase and share option schemes

Tiger Brands (1985) Share Option Scheme

	2013	2012
Shares under option at the beginning of the year	735 330	1 082 530
Forfeited	–	(26 400)
Exercised and paid in full	(276 930)	(320 800)
Shares under option at the end of the year	458 400	735 330
Options available for issue	4 866 216	4 866 216

The above table excludes Spar and Adcock Ingram employees. Refer to note 24 which reflects details including both Spar and Adcock employees.

Subsidiaries, associates and investments

Financial information concerning the principal subsidiaries, associates and investments of Tiger Brands Limited is set out in Annexure A to C of the annual financial statements.

Dividends

Details of dividends declared and paid during the year are outlined in note 10 to the annual financial statements.

Attributable interest

The attributable interest of the company in the profits and losses of its subsidiaries and associated companies is as follows:

(R'million)	2013	2012
Subsidiaries		
Total income after taxation	2 003,3	2 250,3
Associate companies		
Total income after taxation	515,1	415,7

Major shareholders

Details of the registered and beneficial shareholders of the company are outlined on pages 234 to 240.

Directors

There were no changes to the composition of the board during the year.

All retiring directors are eligible and offer themselves for re-election.

The names of the directors who presently hold office are set out on pages 27 and 28 of this report.

No director holds 1% or more of the ordinary shares of the company. The directors of the company beneficially hold, directly and indirectly, 5 000 ordinary shares of its issued ordinary shares.

Details of the directors' shareholding (direct and indirect beneficial) are reflected below.

The register of interests of directors and others in shares of the company is available to the members on request.

	2013		2012	
Name of director	Direct number of shares	Indirect number of shares	Direct number of shares	Indirect number of shares
RMW Dunne	–	5 000	–	5 000
		5 000		5 000

Share repurchase

At the annual general meeting of shareholders held in February 2012, shareholders passed a special resolution authorising the company, or a subsidiary, to acquire the company's own ordinary shares. Notwithstanding the approval obtained, during the period to 30 September 2012, no further shares were acquired as the directors did not deem it appropriate.

The company, through its subsidiary Tiger Consumer Brands Limited, has previously purchased a total of 10 326 758 shares at an average price of R106,67 per share, for a total consideration of R1 101,5 million.

American Depository Receipt facility

With effect from 9 September 1994 a sponsored American Depository Receipt (ADR) facility was established. This ADR facility is sponsored by the Bank of New York Mellon and details of the administrators are reflected under Administration on the inside back cover.

Statutory information continued

Special resolutions

No special resolutions relating to capital structure, borrowing powers or any other material matter that affects the understanding of the group were passed by subsidiary companies during the year under view.

Retirement funds

Details in respect of the retirement funds of the group are set out in note 34 of the annual financial statements.

Insurance and risk management

The group's practice regarding insurance includes an annual assessment, in conjunction with the group's insurance brokers, of the risk exposure relative to assets and possible liabilities arising from business transactions. In addition, the group's insurance programme is monitored by the risk and sustainability committee.

All risks are considered to be adequately covered, except for political risks in the case of which as much cover as is reasonably available has been arranged. Self-insurance programmes are in operation covering primary levels of risk at a cost more advantageous than open-market premiums. Regular risk management audits are conducted by the group's risk management consultants, whereby improvement areas are identified and resultant action plans implemented accordingly. Assets are insured at current replacement values.

Post balance sheet events

The group has concluded an agreement, subject to regulatory approval, to acquire the entire share capital in a flour and a bakery business based in Kenya (Rafiki Mills and Magic Oven) for a total purchase consideration of US$25 million. In addition, subject to regulatory approval, the mandatory offer to minority shareholders of DFM is expected to be concluded by March 2014, with the group acquiring an additional 6,65% interest in DFM for a total purchase consideration of approximately R185 million.

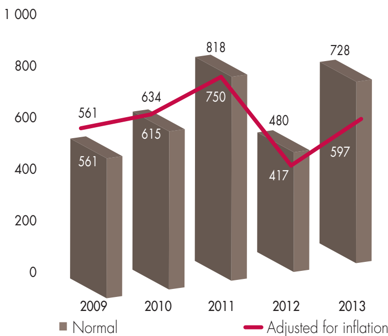
Effects of changing prices

The group has a diverse range of operations spread throughout South Africa as well as internationally. Many of these operations are affected by different inflation factors due to the varying nature of businesses, climatic conditions, geographical locations and business cycles. The diversity of these factors does not allow for meaningful inflation-adjusted statements to be prepared using a simple, standardised procedure.

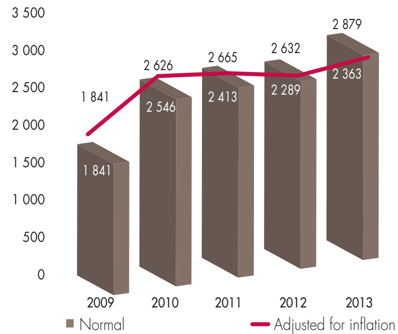
The effect of inflation is monitored by examination of cash flows inherent in operating results, budgets, plans and new projects, with emphasis concentrated towards the objective of the creation of shareholder wealth in real terms.

The following graphs show the extent to which certain key performance indicators compare when discounted by the movement in the Consumer Price Index (base September 2009).

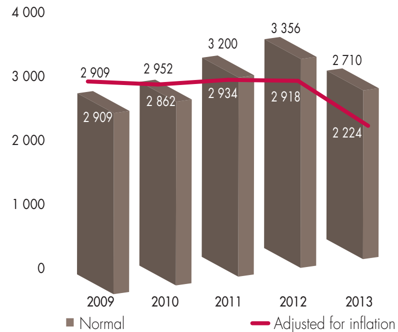
Capital expenditure (Rm)



Cash available from operations (Rm)



Profit before tax and abnormal items (excludes income from associates) (Rm)



Income statements

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012	(R'million)	Notes	GROUP 2013	GROUP 2012
3 260,9	2 556,8	Revenue	2	27 064,7	22 770,9
		Turnover	3	27 003,5	22 677,0
		Cost of sales		(18 565,7)	(14 465,9)
		Gross profit		8 437,8	8 211,1
		Sales and distribution expenses		(3 143,4)	(2 863,1)
		Marketing expenses		(649,9)	(592,9)
(35,2)	(4,4)	Other operating expenses		(1 572,1)	(1 280,8)
(35,2)	(4,4)	Operating income/(loss) before abnormal items	4	3 072,4	3 474,3
(71,1)	(31,4)	Abnormal items	5	(2,4)	4,8
(106,3)	(35,8)	Operating income/(loss) after abnormal items		3 070,0	3 479,1
(14,6)	(23,4)	Finance costs	6.1	(399,4)	(191,0)
133,2	160,5	Interest received	6.2	20,6	52,8
3 127,7	2 396,3	Investment income	7	17,0	19,9
		Income from associated companies	16	515,1	415,7
3 140,0	2 497,6	Profit before taxation		3 223,3	3 776,5
(25,1)	(49,6)	Taxation	8	(833,7)	(1 028,7)
3 114,9	2 448,0	Profit for the year from continuing operations		2 389,6	2 747,8
		Discontinued operation			
		Profit for the year from discontinued operation	41	158,0	–
		Profit for the year		2 547,6	2 747,8
		Attributable to:			
3 114,9	2 448,0	Owners of the parent		2 569,2	2 718,2
		Continuing operations		2 508,5	2 718,2
		Discontinued operation		60,7	–
		Non-controlling interests		(21,6)	29,6
		Continuing operations		(118,9)	29,6
		Discontinued operation		97,3	–
3 114,9	2 448,0			2 547,6	2 747,8
		Basic earnings per ordinary share (cents)		1 608,2	1 706,7
		Continuing operations		1 570,2	1 706,7
		Discontinued operation		38,0	–
		Diluted basic earnings per ordinary share (cents)		1 568,3	1 671,5
		Continuing operations		1 531,2	1 671,5
		Discontinued operation		37,1	–
		Headline earnings per share is disclosed in note 9.			

Statements of comprehensive income

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012	(R'million)	Notes	GROUP 2013	GROUP 2012
3 114,9	2 448,0	Profit for the year		2 547,6	2 747,8
(77,6)	78,9	Other comprehensive income, net of tax*		492,6	51,1
		Net loss on hedge of net investment in foreign operation		(40,1)	(5,0)
		Foreign currency translation adjustments		512,5	(2,3)
(78,8)	78,8	Net (loss)/gain on cash flow hedges		(57,3)	59,0
1,2	0,1	Net gain/(loss) on available-for-sale financial assets		53,0	(1,2)
–	–	Tax effect	26	24,5	0,6
3 037,3	2 526,9	Total comprehensive income for the year, net of tax		3 040,2	2 798,9
		Attributable to:			
3 037,3	2 526,9	Owners of the parent		2 935,8	2 769,3
		Non-controlling interests		104,4	29,6
3 037,3	2 526,9			3 040,2	2 798,9

* *Items that may subsequently be reclassified to profit or loss.*

TIGER BRANDS

Statements of financial position

at 30 September 2013

COMPANY 2013	COMPANY 2012	(R'million)	Notes	GROUP 2013	GROUP 2012
		Assets			
		Non-current assets			
		Property, plant and equipment	11	5 498,7	3 359,2
		Land and buildings		1 552,7	1 148,4
		Plant, vehicles and equipment		3 931,5	2 201,9
		Capitalised leased assets		14,5	8,9
		Goodwill	12.1	3 173,2	2 361,1
		Intangible assets	12.2	2 251,4	1 651,0
4 454,9	2 974,3	**Interest in subsidiary companies**	14		
2 529,8	2 734,5	**Amounts owed by subsidiaries**	15		
3 091,9	2 674,0	**Investments**		3 413,3	2 654,7
863,2	549,6	Investments in associated companies	16	2 900,6	2 129,9
1 950,9	1 913,2	Other investments	17	505,5	517,2
277,8	211,2	Loans	18	7,2	7,6
6,3	1,0	**Deferred taxation asset**	19	138,2	43,9
763,7	1 052,7	**Current assets**		9 464,0	7 783,5
		Inventories	20	4 652,7	3 657,3
45,0	101,6	Trade and other receivables	21	4 178,4	3 755,1
653,9	559,5	Amounts owed by subsidiaries			
64,8	391,6	Cash and cash equivalents		632,9	371,1
		Assets classified as held-for-sale	22	1 280,7	–
10 846,6	9 436,5	**Total assets**		25 219,5	17 853,4
		Equity and liabilities			
10 155,3	8 684,9	**Issued capital and reserves**		12 878,1	11 302,8
117,3	94,5	Ordinary share capital and share premium	25	117,3	94,5
2 942,4	3 020,0	Non-distributable reserves		1 989,8	1 408,9
6 735,0	5 241,1	Accumulated profits		13 081,2	12 142,5
		Tiger Brands Limited shares held by subsidiary	27	(718,0)	(718,0)
		Tiger Brands Limited shares held by empowerment entities	27	(1 956,0)	(1 957,6)
360,6	329,3	Share-based payment reserve	23	363,8	332,5
		Non-controlling interests		1 028,4	392,7
10 155,3	8 684,9	**Total equity**		13 906,5	11 695,5
552,5	499,5	**Non-current liabilities**		2 284,1	935,8
–	–	Deferred taxation liability	28	398,8	294,0
		Provision for post-retirement medical aid	35	432,6	406,8
160,6	–	Long-term borrowings	31	1 452,7	235,0
391,9	499,5	Amounts owed to subsidiaries	38		
138,8	252,1	**Current liabilities**		8 330,3	5 222,1
37,2	50,8	Trade and other payables	29	3 987,6	3 256,6
–	–	Provisions	30	561,0	515,4
–	–	Taxation		131,5	132,3
33,7	155,5	Short-term borrowings	31	3 650,2	1 317,8
67,9	45,8	Amounts owed to subsidiaries	38		
		Liabilities directly associated with assets classified as held-for-sale	22	698,6	–
10 846,6	9 436,5	**Total equity and liabilities**		25 219,5	17 853,4

Statements of cash flows

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012	(R'million)	Notes	GROUP 2013	GROUP 2012
(8,5)	(4,4)	Cash operating profit/(loss)	A	4 311,3	4 224,5
(23,3)	(21,8)	Working capital changes	B	(337,2)	(592,3)
(31,8)	(26,2)	Cash generated from/(utilised by) operations		3 974,1	3 632,2
133,2	160,6	Interest received and income from investments		37,6	72,7
(14,6)	(23,4)	Finance costs		(447,0)	(191,0)
2 981,3	2 254,8	Dividends received from associate companies and subsidiaries		300,8	175,9
146,4	141,4	Dividends received from empowerment entities			
(26,4)	(52,3)	Taxation paid	C	(986,2)	(1 057,6)
3 188,1	2 454,9	Cash available from operations		2 879,3	2 632,2
(1 621,0)	(1 504,7)	Dividends paid	D	(1 426,1)	(1 318,2)
1 567,1	950,2	Net cash inflow from operating activities		1 453,2	1 314,0
		Purchase of property, plant, equipment	E	(727,6)	(480,3)
		Proceeds from disposal of property, plant, equipment and intangible assets		31,1	60,8
(1 512,6)	–	Cash cost of businesses acquired	F	(1 545,0)	(10,5)
		Purchase of intangible assets		(485,0)	(207,0)
		Proceeds received on repayment of loans		1,1	3,5
(309,4)	(187,0)	Investments acquired		(556,4)	(98,9)
(90,1)	(459,4)	Increase in loans to subsidiaries, associates and others			
(1 912,1)	(646,4)	Net cash outflow from investing activities		(3 281,8)	(732,4)
(345,0)	303,8	Net cash (outflow)/inflow before financing activities		(1 828,6)	581,6
17,8	24,0	Proceeds from issue of share capital	G	17,8	24,0
		Cash inflow relating to an increase in treasury shares		–	0,1
		Acquisition of minorities shareholding in L&AF		–	(90,1)
(2,2)	(2,4)	Long and short-term borrowings raised/(repaid)		407,7	(230,8)
15,6	21,6	Net cash inflow/(outflow) from financing activities		425,5	(296,8)
(329,4)	325,4	Net (decrease)/increase in cash and cash equivalents		(1 403,1)	284,8
–	–	Cash and cash equivalents transferred to assets held-for-sale		(20,4)	–
2,6	–	Effect of exchange rate changes on cash and cash equivalents		64,6	(8,0)
391,6	66,2	Cash and cash equivalents at the beginning of the year	H	(735,0)	(1 011,8)
64,8	391,6	Cash and cash equivalents at the end of the year	I	(2 093,9)	(735,0)

Notes to the cash flow statements

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		A	**Cash operating profit/(loss)**		
(35,2)	(4,4)		Operating profit/(loss) before abnormal items		
			▹ Continuing operations	3 072,4	3 474,3
			▹ Discontinued operation	196,9	–
			Add back:		
			Amortisation	47,4	19,5
			Profit/(loss) on disposal of property, plant and equipment	24,5	(3,7)
			Provision for post-retirement medical aid	25,8	30,4
			Depreciation	706,8	425,6
			Share-based payment expenses	134,2	177,7
26,7	–		Other non-cash items	103,3	100,7
(8,5)	(4,4)		Cash operating profit/(loss)	4 311,3	4 224,5
		B	**Working capital changes**		
			Increase in inventories	(179,3)	(629,8)
(9,7)	(33,3)		Decrease/(increase) in trade and other receivables	183,8	(487,5)
(13,6)	11,5		(Decrease)/increase in trade and other payables	(341,7)	525,0
(23,3)	(21,8)		Working capital changes	(337,2)	(592,3)
		C	**Taxation paid**		
4,0	2,8		Amounts (payable)/receivable at the beginning of year, net	(123,0)	(102,0)
(25,1)	(49,6)		Income statement charge		
			▹ Continuing operations	(833,7)	(1 028,7)
			▹ Discontinued operation	(1,4)	–
(5,3)	(1,5)		Deferred tax	(109,0)	(51,8)
			Business combinations	(31,1)	–
			Transfer to assets held-for-sale	9,9	–
			Exchange rate difference and other non-cash items	(5,9)	1,9
–	(4,0)		Amounts payable/(receivable) at the end of year, net	108,0	123,0
(26,4)	(52,3)		Total taxation paid	(986,2)	(1 057,6)
		D	**Dividends paid**		
(1 621,0)	(1 504,7)		Per statement of changes in equity	(1 416,2)	(1 314,1)
			Dividends paid to outside shareholders	(9,9)	(4,1)
(1 621,0)	(1 504,7)		Total dividends paid	(1 426,1)	(1 318,2)
		E	**Purchase of property, plant and equipment**		
			Expansion	(187,3)	(177,3)
			Replacement	(540,3)	(303,0)
				(727,6)	(480,3)

COMPANY 2013	COMPANY 2012		(R'million)	Notes	GROUP 2013	GROUP 2012
		F	**Cash cost of businesses acquired**			
			Property, plant and equipment		(2 370,8)	(2,5)
			Goodwill		(646,3)	–
			Intangibles		(134,1)	–
			Inventories		(868,0)	(5,7)
			Trade and other receivables		(728,9)	(12,6)
			Cash and cash equivalents		32,4	–
			Long-term borrowings		497,2	–
			Short-term borrowings		968,2	–
			Trade and other payables		1 064,5	10,3
			Taxation and deferred taxation		171,2	–
			Non-controlling interest		529,6	–
(1 485,0)	–		Total cost of businesses acquired		(1 485,0)	(10,5)
(27,6)	–		Amounts owing from vendors		(27,6)	–
–	–		*Add:* Cash and cash equivalents acquired		(32,4)	–
(1 512,6)	–		Cash cost of businesses acquired		(1 545,0)	(10,5)
		G	**Increase in shareholder funding**			
17,8	24,0		Proceeds from issue of share capital		17,8	24,0
17,8	24,0				17,8	24,0
		H	**Cash and cash equivalents at the beginning of the year**			
391,6	66,2		Cash resources		371,1	506,5
–	–		Short-term borrowings regarded as cash and cash equivalents	31.6	(1 106,1)	(1 518,3)
391,6	66,2				(735,0)	(1 011,8)
		I	**Cash and cash equivalents at the end of the year**			
64,8	391,6		Cash resources		632,9	371,1
–	–		Short-term borrowings regarded as cash and cash equivalents	31.6	(2 726,8)	(1 106,1)
64,8	391,6				(2 093,9)	(735,0)

Statements of changes in equity

for year ended 30 September 2013

(R'million)	Share capital and premium	Non-distributable reserves: Share of net earnings of associates	Non-distributable reserves: Other capital reserves	Non-distributable reserves: Cash flow hedge reserve
GROUP				
Balance at 1 October 2011	69,7	863,0	87,9	11,8
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	59,0
	69,7	863,0	87,9	70,8
Issue of share capital and premium	24,8	–	–	–
Acquisition of non-controlling interest	–	–	(71,6)	–
Transfers between reserves	–	239,8	0,4	–
Share-based payment reserve	–	–	–	–
Dividends on ordinary shares	–	–	–	–
Total dividends	–	–	–	–
Less: Dividends on empowerment shares	–	–	–	–
Sale of shares by empowerment entity	–	–	–	–
Balance at 30 September 2012	94,5	1 102,8	16,7	70,8
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	(57,3)
	94,5	1 102,8	16,7	13,5
Issue of share capital and premium	22,8	–	–	–
Acquisition of Dangote Flour Mills Plc	–	–	–	–
Transfers between reserves	–	214,3	–	–
Share-based payment reserve	–	–	–	–
Dividends on ordinary shares	–	–	–	–
Total dividends	–	–	–	–
Less: Dividends on empowerment shares	–	–	–	–
Sale of shares by empowerment entity	–	–		–
Balance at 30 September 2013	117,3	1 317,1	16,7	13,5
Refer to note:	25			

Available-for-sale reserve	Foreign currency translation reserve	Accumulated profits	Shares held by subsidiary and empowerment entities	Share-based payment reserve	Total attributable to owners of the parent	Non-controlling interests	Total equity
216,6	9,9	10 978,6	(2 675,7)	298,0	9 859,8	385,7	10 245,5
–	–	2 718,2	–	–	2 718,2	29,6	2 747,8
(3,7)	(4,2)	–	–	–	51,1	–	51,1
212,9	5,7	13 696,8	(2 675,7)	298,0	12 629,1	415,3	13 044,4
–	–	–	–	–	24,8	–	24,8
–	–	–	–	–	(71,6)	(18,5)	(90,1)
–	–	(240,2)	–	–	–	–	–
–	–	–	–	34,5	34,5	–	34,5
–	–	(1 314,1)	–	–	(1 314,1)	(4,1)	(1 318,2)
–	–	(1 483,9)	–	–	(1 483,9)	(4,1)	(1 488,0)
–	–	169,8	–	–	169,8	–	169,8
–	–	–	0,1	–	0,1	–	0,1
212,9	5,7	12 142,5	(2 675,6)	332,5	11 302,8	392,7	11 695,5
–	–	2 569,2	–	–	2 569,2	(21,6)	2 547,6
50,5	373,4	–	–	–	366,6	126,0	492,6
263,4	379,1	14 711,7	(2 675,6)	332,5	14 238,6	497,1	14 735,7
–	–	–	–	–	22,8	–	22,8
–	–	–	–	–	–	541,2	541,2
–	–	(214,3)	–	–	–	–	–
–	–	–	–	31,3	31,3	–	31,3
–	–	(1 416,2)	–	–	(1 416,2)	(9,9)	(1 426,1)
–	–	(1 597,5)	–	–	(1 597,5)	(9,9)	(1 607,4)
–	–	181,3	–	–	181,3	–	181,3
–	–	–	1,6	–	1,6	–	1,6
263,4	379,1	13 081,2	(2 674,0)	363,8	12 878,1	1 028,4	13 906,5
			27	23			

Statements of changes in equity continued

for year ended 30 September 2013

(R'million)	Share capital and premium	Non-distributable reserves: Non-distributable reserves	Non-distributable reserves: Other capital reserves	Non-distributable reserves: Cash flow hedge reserve	Non-distributable reserves: Available-for-sale reserve	Accumulated profits	Share-based payment reserve	Total attributable to owners of the parent
COMPANY								
Balance at 30 September 2011	69,7	2 918,6	19,3	–	3,2	4 297,8	294,8	7 603,4
Profit for the year	–	–	–	–	–	2 448,0	–	2 448,0
Other comprehensive income for the year	–	–	–	78,8	0,1	–	–	78,9
	69,7	2 918,6	19,3	78,8	3,3	6 745,8	294,8	10 130,3
Issue of share capital and premium	24,8	–	–	–	–	–	–	24,8
Share-based payment reserve	–	–	–	–	–	–	34,5	34,5
Dividends on ordinary shares	–	–	–	–	–	(1 504,7)	–	(1 504,7)
Balance at 30 September 2012	94,5	2 918,6	19,3	78,8	3,3	5 241,1	329,3	8 684,9
Profit for the year	–	–	–	–	–	3 114,9	–	3 114,9
Other comprehensive income for the year	–	–	–	(78,8)	1,2	–	–	(77,6)
	94,5	2 918,6	19,3	–	4,5	8 356,0	329,3	11 722,2
Issue of share capital and premium	22,8	–	–	–	–	–	–	22,8
Share-based payment reserve	–	–	–	–	–	–	31,3	31,3
Dividends on ordinary shares	–	–	–	–	–	(1 621,0)	–	(1 621,0)
Balance at 30 September 2013	117,3	2 918,6	19,3	–	4,5	6 735,0	360,6	10 155,3

Notes to the financial statements

for year ended 30 September 2013

ACCOUNTING POLICIES

Corporate information

The consolidated financial statements of Tiger Brands Limited (the company) and the Tiger Brands group (the group) for the year ended 30 September 2013 were authorised for issue in accordance with a resolution of the directors on 19 November 2013. Tiger Brands Limited is incorporated and domiciled in South Africa, where the shares are publicly traded.

Basis of preparation

The consolidated financial statements have been prepared on the historical-cost basis, except for items measured at fair value as indicated below. The consolidated financial statements are stated in millions.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC (International Financial Reporting Interpretations Committee) and the Companies Act of 2008.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries (as well as special-purpose entities controlled by the group or company). The financial statements of the subsidiaries are prepared for the same reporting period using consistent accounting policies. Where the financial year end of a subsidiary is not coterminous with that of the group or the accounting policies adopted by the subsidiary differ from the group's accounting policies, the financial statements of the subsidiary are adjusted in accordance with the group's accounting policies and year end.

The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiaries acquired with the intention of disposal within 12 months are consolidated in line with the principles of IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* and disclosed as held-for-sale.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss, or net assets not held by the group. It is presented separately in the consolidated income statement, and in the consolidated statement of financial position, separately from own shareholder's equity.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the group loses control over a subsidiary, it:
- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Changes in accounting policies

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the group, its impact is described in more detail under the heading "Further information on changes to accounting policies" on page 160 to 163.

Foreign currencies

Foreign currency transactions

The consolidated financial statements are presented in South African Rands, which is the company's functional and presentation currency. Each foreign entity in the group determines its own functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Translation of foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange differences are taken to profit or loss, except for differences arising on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income, in the consolidated annual financial statements, until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to such exchange differences are also accounted for in other comprehensive income.

Notes to the financial statements continued

for year ended 30 September 2013

If non-monetary items measured in a foreign currency are carried at historical cost, the exchange rate used is the rate applicable at the initial transaction date. If they are carried at fair value, the rate used is the rate at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (ie, translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Foreign operations

At the reporting date the assets and liabilities of the foreign operations are translated into the presentation currency of the group (Rands) at the exchange rate ruling at the reporting date. The income statement is translated at the weighted average exchange rate for the year. Exchange differences are taken directly to a separate component of other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate.

The functional currencies of the foreign operations are as follows:

- Chocolaterie Confiserie Camerounaise (subsidiary) – Central African franc;
- Haco Industries Kenya Limited (subsidiary) – Kenyan shilling;
- Deli Foods Nigeria Limited – Nigerian naira;
- East African Tiger Brands Industries (subsidiary) – Ethiopian birr;
- Empresas Carozzi (associate) – Chilean peso;
- National Foods Holdings Limited (Zimbabwe) (associate) – United States dollar;
- UAC Foods Limited (associate) – Nigerian naira; and
- Dangote Flour Mills (subsidiary) – Nigerian naira.

Hyperinflationary economies

Where the functional currency of a foreign operation is the currency of a hyperinflationary economy, the financial statements are restated for the decrease in general purchasing power before they are translated into the group's presentation currency (ZAR).

Interest in group companies

Business combinations

Business combinations are accounted for using the acquisition method. The value of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

The company carries its investments in subsidiaries and associate companies at cost less accumulated impairment losses.

Associates

An associate is an entity over which the group has significant influence through participation in the financial and operating policy decisions. The entity is neither a subsidiary nor a joint venture.

Associates are accounted for using the equity method of accounting. Under this method, investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the group's share of the net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested separately for impairment.

The income statement reflects the group's share of the associate's

profit or loss. However, an associate's losses in excess of the group's interest are not recognised. Where an associate recognises an entry directly in other comprehensive income, the group in turn recognises its share in consolidated other comprehensive income. Profits or losses resulting from transactions between the group and associates are eliminated to the extent of the interest in the underlying associate.

After application of the equity method, each investment is assessed for indicators of impairment. If applicable, the impairment is calculated as the difference between the current carrying value and the higher of its value in use or fair value less costs to sell. Impairment losses are recognised in profit or loss.

Where an investment in an associate is classified as held-for-sale in terms of IFRS 5, equity accounting is discontinued and the investment is held at the lower of its carrying value and fair value less costs to sell.

Where an associate's reporting date differs from the group's, the associate prepares financial statements as of the same date as the group. If this is impracticable, financial statements are used where the date difference is no more than three months. Adjustments are made for significant transactions between the relevant dates. Where the associate's accounting policies differ from those of the group, appropriate adjustments are made to conform the accounting policies.

Segment reporting

The group has reportable segments that comprise the structure used by the chief operating decision maker (CODM) to make key operating decisions and assess performance. The group's reportable segments are operating segments that are differentiated by the activities that each undertakes and the products they manufacture and market (referred to as business segments).

The group evaluates the performance of its reportable segments based on operating profit. The group accounts for intersegment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been entered into in a market-related transaction.

The financial information of the group's reportable segments is reported to the CODM for purposes of making decisions about allocating resources to the segment and assessing its performance.

Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Assets subject to finance lease agreements are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate assets. Expenditure incurred on major inspection and overhaul, or to replace an item, is also accounted for separately if the recognition criteria are met.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method is reviewed at least at each financial year end. Any adjustments are accounted for prospectively.

The following useful lives have been estimated:

Freehold land	Not depreciated
Freehold buildings	
– general purpose	40 years
– specialised	20 to 50 years
Leasehold improvements	The lease term or useful life, whichever is the shorter period
Vehicles and computer equipment	Three to five years
Plant and equipment	Five to 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Goodwill and intangible assets

Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference in profit or loss is recognised as a "gain on bargain purchase". Goodwill relating to subsidiaries and joint ventures is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

Goodwill is reviewed annually for impairment, or more frequently if there is an indicator of impairment. Goodwill is allocated to cash-generating units expected to benefit from the synergies of

Notes to the financial statements continued

for year ended 30 September 2013

the combination. When the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is recognised in profit or loss. The impairment loss is allocated first to any goodwill assigned to the unit, and then to other assets of the unit pro rata on the basis of their carrying values. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

Where goodwill relates to a specific cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Unless internally generated costs meet the criteria for development costs eligible for capitalisation in terms of IAS 38 (refer to research and development costs accounting policy below), all internally generated intangible assets are expensed as incurred.

The useful lives of intangible assets are either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and assessed for impairment when there is an indication that the asset may be impaired.

The amortisation period and the method are reviewed at each financial year end. Changes in the expected useful life or pattern of consumption of future benefits are accounted for prospectively.

The following useful lives have been estimated:

Trademarks and other	One to 20 years
Customer and supplier-related intangibles	Five to 15 years

Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment either individually or at the cash-generating level. The useful lives are also reviewed each period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment to a finite life is accounted for prospectively.

Certain trademarks have been assessed to have indefinite useful lives, at present there is no foreseeable limit to the period over which the assets can be expected to generate cash flows for the group.

Research and development costs

Research costs, being the investigation undertaken with the prospect of gaining new knowledge and understanding, are recognised as an expense in profit or loss as they are incurred.

Development costs arise on the application of research findings to plan or design for the production of new or substantially improved materials, products or services, before the start of commercial production. Development costs are only capitalised when the group can demonstrate the technical feasibility of completing the project, its intention and ability to complete the project and use or sell the materials, products or services flowing from the project, how the project will generate future economic benefits, the availability of sufficient resources and the ability to measure reliably the expenditure during development. Otherwise development costs are recognised as an expense in profit or loss.

During the period of development, the asset is tested annually for impairment. Following the initial recognition of the development costs, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when development is complete. The development costs are amortised over the period of expected future sales.

Impairment

The group assesses tangible and intangible assets, excluding goodwill, development assets not yet available for use and indefinite life intangible assets, at each reporting date for an indication that an asset may be impaired. If such an indication exists, the recoverable amount is estimated as the higher of the fair value less costs to sell and the value in use. If the carrying value exceeds the recoverable amount, the asset is impaired and is written down to the recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the hierarchy is firstly a binding arm's length sale, then the market price if the asset is traded in an active market, and lastly recent transactions for similar assets.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to the revised recoverable amount, but not in excess of what the carrying amount would have been had there been no impairment. A reversal of an impairment loss is recognised directly in profit or loss.

Derecognition of intangible assets

An intangible asset is derecognised on disposal; or when no future economic benefits are expected from its use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Financial instruments

Financial instruments are initially recognised when the group becomes a party to the contract. The group has adopted trade date accounting for "regular way" purchases or sales of financial assets. The trade date is the date that the group commits to purchase or sell an asset.

Financial instruments are initially measured at fair value plus transaction costs, except that transaction costs in respect of financial instruments classified at fair value through profit or loss are expensed immediately. Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial instrument, ie those costs that would not have been incurred had the instrument not been acquired.

A contract is assessed for embedded derivatives when the entity first becomes a party to the contract. When the economic characteristics and risks of the embedded derivative are not closely related to the host contract, the embedded derivative is separated out, unless the host contract is measured at fair value through profit or loss.

The group determines the classification of its financial instruments at initial recognition.

Classification

The group's classification of financial assets and financial liabilities are as follows:

Description of asset/liability	Classification
Investments	Available-for-sale
Derivatives	Financial Instruments at fair value through profit or loss
Loans and advances receivable	Loans and receivables
Loans to subsidiaries	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Loans payable and borrowings	Financial liabilities at amortised cost
Trade and other payables	Financial liabilities at amortised cost
Loans from subsidiaries	Financial liabilities at amortised cost

Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables or held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in other comprehensive income. When such a financial asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive incomes is recognised in profit or loss. Interest earned on the financial asset is recognised in profit or loss using the effective interest rate method. Dividends earned are recognised in profit or loss when the right of receipt has been established.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where there is a positive intention and ability to hold them to maturity.

After initial recognition, held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is computed as the amount initially recognised minus the principal

Notes to the financial statements continued

for year ended 30 September 2013

repayments, plus or minus the cumulative amortisation. Amortisation is calculated using the effective interest rate method. The effective interest rate method allocates interest over the relevant period using a rate that discounts the estimated future cash flows (excluding future credit losses) to the net carrying amount of the instrument. The rate calculation includes all fees, transaction costs, premiums and discounts.

Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, as well as through the amortisation process.

Where more than an insignificant portion of held-to-maturity investments have been sold or reclassified during the current or two preceding reporting periods the group does not classify these financial assets as held to maturity anymore.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost less impairment losses.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities at amortised cost

After initial recognition, liabilities that are not carried at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Fair value

The fair value of listed investments is the quoted market bid price at the close of business on the reporting date. For unlisted investments, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of similar instruments, discounted cash flow analysis and option-pricing models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 37.

Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence a financial asset, or group of financial assets, is impaired.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. Factors taken into consideration would include external market and economic outlook reports, observable trends and cyclicality.

If an available-for-sale asset is impaired, the amount transferred from other comprehensive income to profit or loss is:

- the difference between the asset's acquisition cost (net of any principal payments and amortisation); and
- its current fair value, less any impairment loss previously recognised in profit or loss.

Reversals in respect of equity instruments classified as available for sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses) discounted at the asset's original effective interest rate.

The group assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the sale. The carrying amount of the asset is reduced through the use of an allowance account, and is recognised in profit or loss. Impaired debts are derecognised when they are assessed as uncollectible.

If, in a subsequent period, the amount of the impairment decreases and the decrease relates objectively to an event

occurring after the impairment, it is reversed to the extent that the carrying value does not exceed the amortised cost. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Held-to-maturity financial investments

For held-to-maturity investments the group assesses individually whether there is objective evidence of impairment such as significant financial difficulty of the issuer. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to profit or loss.

Derivative instruments

Derivatives are financial instruments whose value changes in response to an underlying factor, require little or no net investment and are settled at a future date. Derivatives, other than those arising on designated hedges, are measured at fair value with changes in fair value being recognised in profit or loss.

Hedge accounting

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which the group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

Fair value hedges cover the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk). Foreign currency risk of an unrecognised firm commitment is accounted for as a cash flow hedge.

The gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised immediately in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value is also recognised in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the change in the fair value of the firm commitment is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The change in the fair value of the hedging instrument is also recognised in profit or loss in the "Operating income/(loss) before abnormal items" line of the income statement.

The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

Cash flow hedges

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while any ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a

Notes to the financial statements continued

for year ended 30 September 2013

hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. On consolidation, gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss.

Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (ie the underlying contracted cash flows).

- Where the group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item.

Derecognition of financial assets and financial liabilities

Financial assets or parts thereof are derecognised when:

- the right to receive the cash flows has expired;
- the right to receive the cash flows is retained, but an obligation to pay them to a third party under a pass-through arrangement is assumed; or
- the group transfers the right to receive the cash flows, and also transfers either all the risks and rewards, or control over the asset.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

Non-current assets held-for-sale and discontinued operations

An item is classified as held-for-sale if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. For a sale to be highly probable, management must be committed to the sale at a price that is reasonable to its current fair value and an active programme to locate a buyer and complete the plan must be initiated. This should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held-for-sale are not subsequently depreciated and are held at the lower of their carrying value and fair value less costs to sell.

A discontinued operation is a separate major line of business, separate component or geographical area of operation that has been disposed of, or classified as held-for-sale, as part of a single co-ordinated plan. A subsidiary acquired exclusively with a view to resale and that meets the criteria of a non-current asset held-for-sale is also defined as a discontinued operation.

In the consolidated income statement of the reporting period and of the comparable period, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities down to the level of profit after taxes, even when the group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Inventories

Inventories are stated at the lower of cost or net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials:	Purchase cost on a first-in first-out basis.
Finished goods and work-in-progress:	Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Consumables are written down with regard to their age, condition and utility.

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion and selling costs.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required

to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Leases

Group as a lessee

At inception date an arrangement is assessed to determine whether it is, or contains, a lease. An arrangement is accounted for as a lease where it is dependent on the use of a specific asset and it conveys the right to use that asset.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the group as lessee. Finance lease assets and liabilities are recognised at the lower of the fair value of the leased property or the present value of the minimum lease payments. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

Capitalised lease assets are depreciated in line with the group's stated depreciation policy. If there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and lease term.

Operating leases are those leases which do not fall within the scope of the definition of a finance lease. Operating lease rentals are charged against trading profit on a straight-line basis over the lease term.

Group as a lessor

Leases in which the group does not transfer substantially all the risks and benefits of ownership as an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue

Revenue comprises turnover, rental income, dividend income and interest income. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable excluding value added tax, normal discounts, rebates, settlement discounts, promotional allowances, and internal revenue which is eliminated on consolidation.

The group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on dispatch of the goods.

Dividend income

Dividend income is recognised when the group's right to receive payment is established. Non-resident shareholders' taxation is provided in respect of foreign dividends receivable, where applicable.

Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 October 2009.

Notes to the financial statements continued

for year ended 30 September 2013

Taxation

The income tax expense represents the sum of current tax payable (both current and deferred).

Normal tax – current

The normal tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. Normal tax may include under- or overprovisions relating to prior year taxation. The group's liability for normal tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Normal tax relating to items recognised outside profit or loss is recognised outside profit or loss. Normal tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Normal tax – deferred

Deferred tax is calculated on the liability method, using the difference between the carrying amounts of assets and liabilities and their corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences except:

- where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, where it is probable that the asset will be utilised in the foreseeable future except:

- where the asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, only to the extent that it is probable that the differences will reverse in the foreseeable future, and taxable profit will be available against which these differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates/laws that have been enacted or substantively enacted by the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends withholding tax

A dividend withholding tax of 15% is withheld on behalf of the taxation authority on dividend distributions. The net amount payable to the taxation authority is included as part of trade and other payables at the time a dividend is declared.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Employee benefits

A liability is recognised when an employee has rendered services for benefits to be paid in the future, and an expense when the entity consumes the economic benefit arising from the service provided by the employee.

In respect of defined contribution plans, the contribution paid by the company is recognised as an expense. If the employee has rendered the service, but the contribution has not yet been paid, the amount payable is recognised as a liability.

In respect of defined benefit plans, the company's contributions are based on the recommendations of independent actuaries and the liability is measured using the projected unit credit method.

Actuarial gains and losses are recognised in the income statement when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

Past-service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a defined benefit plan, the past-service cost is recognised immediately.

The defined benefit asset or liability recognised in the statement of financial position comprises the present value of the defined benefit obligation, plus any unrecognised actuarial gains (minus losses), less unrecognised past-service costs, net actuarial losses and the fair value of plan assets out of which the obligations are to be settled. The value of an asset recognised is restricted to the sum of the unrecognised past-service costs and unrecognised actuarial gain or loss and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions.

Post-retirement medical obligations

The group provides post-retirement healthcare benefits to certain of its retirees based on the qualifying employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, discount rate based on current bond yields of appropriate terms, healthcare inflation costs and rates of increase in salary costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in the same manner as those of defined benefit pension obligations noted in the previous accounting policy.

Share-based payments

Certain employees (including senior executives) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions) or share appreciation rights (that are classified as cash-settled transactions).

Equity-settled share options granted before 7 November 2002

No expense is recognised in the income statement for such awards.

The group has taken advantage of the voluntary exemption provision of IFRS 1 *First-time Adoption of International Financial Reporting Standards* in respect of equity-settled awards and has applied IFRS 2 *Share-based Payment* – only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005.

Equity-settled and cash-settled share options granted after 7 November 2002

Equity-settled transactions

Under the scheme, executives and selected managers of Tiger Brands Limited and its subsidiaries are offered, on an annual basis, a weighted combination of share appreciation rights, performance shares, restricted shares linked to the annual cash bonus scheme (bonus matching) and restricted shares linked to a deferred portion of bonuses received by these employees. All these components are accounted for as equity-settled share-based payments in addition to the general employee share option plan portion and the black managers participation right scheme.

Shares awarded to employees in terms of the rules of the Tiger Brands Long-Term Incentive Plan (LTIP) are measured by reference to the fair value at the date on which they are granted. The fair

Notes to the financial statements continued

for year ended 30 September 2013

value is determined by an external valuer using a modified version of the Black-Schöles model or Monte-Carlo simulation, further details of which are given in note 23.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge for a period represents the movement in the cumulative expense at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. If, at the date of modification, the total fair value of the share-based payment is increased or is otherwise beneficial to the employee, the difference is recognised as an additional expense.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it had vested on the date of cancellation, and any unrecognised expense recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted and designated as a replacement for the cancelled award, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of earnings and headline earnings per share.

Cash-settled transactions

The cost of cash-settled transactions such as the general employee share option plan portion is measured initially at fair value at the grant date using a modified version of the Black-Schöles model, taking into account the terms and conditions upon which the instruments were granted (see note 23). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Accounting for BEE transactions

Where equity instruments are issued to a Black Economic Empowerment (BEE) party at less than fair value, the instruments are accounted for as share-based payments in terms of the stated accounting policy.

Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the income statement.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

Treasury shares

Shares in Tiger Brands Limited held by the group are classified within total equity as treasury shares. The shares acquired by the Black Managers Trust (I and II),Thusani Trust, Brimstone SPV and The Tiger Brands Foundation are accounted for as treasury shares in line with the consolidation requirement for special-purpose entities. Treasury shares are treated as a deduction from the issued and weighted average number of shares for earnings per share and headline earnings per share purposes, and the cost price of the shares is reflected as a separate component of capital and reserves in the statement of financial position. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares. Consideration received or paid in respect of treasury shares is recognised in equity.

Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events and which existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognised as assets, but disclosed.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Alternatively, it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle

the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination, but disclosed.

Events after the reporting date

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the reporting date, but before the financial statements are authorised for issue, provided there is evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

Significant accounting judgements and estimates

Judgements

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of special-purpose entities

The special-purpose entities established in terms of the BEE transaction implemented in October 2005 and October 2009, have been consolidated in the group results. The substance of the relationship between the company and these entities has been assessed and the decision made that they are controlled entities, mainly due to the fact that they have been formed to carry out specific objectives and that they will operate in terms of the autopilot principles as set out in SIC-12 *Consolidation – Special Purpose Entities*.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment assessment of goodwill, tangible and intangible assets

Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if there is an indicator of impairment. Tangible assets and finite life intangible assets are tested when there is an indicator of impairment. When identifying impairment indicators, management considers the impact of changes in competitors, technological obsolescence, discontinuance of products, market changes, legal changes, operating environments and other circumstances that could indicate that an impairment exists. This requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units and estimates of projected cash flows and fair value less costs of disposal.

The group applies the impairment assessment to its cash-generating units. Management's analysis of cash-generating units involves an assessment of a group of assets' ability to independently generate cash inflows and involves analysing the extent to which different products make use of the same assets.

The calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which are inherently uncertain and could change over time. Recoverable amount is calculated using the discounted cash flow valuation method when determining value in use. Key assumptions on which management has based its determination of recoverable amount include the weighted average cost of capital, projected revenues and gross margins. In addition, changes in economic factors, such as discount rates, could also impact this calculation. Further details are given in notes 11 and 12.

Residual values and useful lives of tangible and intangible assets

Residual values and useful lives of tangible and intangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of tangible and intangible assets in the future. Further details are given in notes 11 and 12.

Fair value of BEE share allocations

In calculating the amount to be expensed as a share-based payment, the group was required to calculate the fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transaction implemented in October 2005 and October 2009. This fair value was calculated by applying a valuation model which is in itself judgemental and takes into account certain inherently uncertain assumptions (detailed in note 23).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management

Notes to the financial statements continued

for year ended 30 September 2013

judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in notes 19 and 28.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in notes 34 and 35.

Provisions

Best estimates, being the amount that the group would rationally pay to settle the obligation, are recognised as provisions at the reporting date. Risks, uncertainties and future events, such as changes in law and technology, are taken into account by management in determining the best estimates. Where the effect of discounting is material, provisions are discounted. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which requires management estimation.

The establishment and review of the provisions requires significant judgement by management as to whether or not a reliable estimate can be made of the amount of the obligation.

The group is required to record provisions for legal or constructive contingencies when the contingency is probable of occurring and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date. Further details are given in note 30.

Assets, liabilities and contingent liabilities acquired in a business combination:

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a large extent, on management's judgement.

The allocation of the purchase price affects the results of the group as finite life intangible assets, which are amortised, whereas indefinite life intangible assets, including goodwill, are only tested for impairment on an annual basis.

Identifiable intangible assets acquired under business combination include trademarks and customer lists. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as set out below. The group has adopted the following new and amended IFRS standards and IFRIC interpretations during the year:

Further information on changes to accounting policies

The group has applied the following IFRS and IFRIC interpretations during the year:

- IAS 1 *Presentation of items of other comprehensive income (amendment to IAS 1)*. The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. Foreign exchange movements on translation of foreign operations, hedges of net investment in foreign operations, cash flow hedges and available-for-sale reserve movements are recyclable through profit or loss. The group does not currently have any OCI items that will not be recyclable.

- IAS 12 *Deferred taxes: Recovery of underlying assets (amendment to IAS 12)*. The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. Furthermore, deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 will also be measured on a sale basis. The presumption on investment properties can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted.

The amendment had no effect on the group as the group does not have any investment properties or non-depreciable assets measured on a fair value basis.

Standards and interpretations not yet effective

The group has not applied the following IFRS and IFRIC interpretations that have been issued but are not yet effective and will be adopted by the group when they become effective. These are as follows:

- IFRS 9 *Financial Instruments*
  – *Financial Assets:* This phase applies to financial assets and simplifies the classification of financial assets while retaining the measurement principles, being at fair value or amortised cost. Financial assets are classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The IAS 39 exemption which allows equity instruments to be measured at cost will be limited further and reclassifications between categories will only be allowed in exceptional circumstances.

  – *Financial Liabilities:* The standard retains the existing IAS 39 classification and measurement requirements for financial liabilities not designated at fair value through profit or loss using the fair value option as well as the criteria within IAS 39 for using the fair value option for financial liabilities. The changes only affect the measurement of fair value option liabilities. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. For fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (OCI). The remainder of the change in fair value is presented in profit or loss. The standard prohibits any recycling through profit or loss of amounts recognised in OCI upon derecognition of the liability, but these amounts may be transferred to retained earnings upon derecognition. Liabilities arising from certain derivatives on unquoted equity instruments will no longer be able to be measured at cost and will be required to be measured at fair value.

The revised standard is effective for financial periods beginning on or after 1 January 2015. It will have an impact on the classification and measurement of financial assets and liabilities.

- IFRS 10 *Consolidated Financial Statements*. IFRS 10 includes a new definition of control which is used to determine which entities are consolidated. This will apply to all entities, including special-purpose entities (now known as structured entities). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and, therefore, consolidated, and may result in a change to the entities which are within the group.

The new standard is effective for financial periods beginning on or after 1 January 2013 and the group is still in process of assessing what the impact of adoption would be.

- IFRS 11 *Joint Arrangements*. IFRS 11 describes the accounting for joint arrangements with joint control; proportionate consolidation will no longer be permitted for joint ventures and as such will result in a change in the group's accounting policy from proportionate consolidation to equity accounting when the new standard is adopted. Under IFRS 11 the structure of a joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture.

The new standard is effective for financial periods beginning on or after 1 January 2013. The assessment of the group's joint ventures in this regard is yet to be finalised.

- IFRS 12 *Disclosure of Interests in Other Entities*. IFRS 12 includes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgements made to determine whether it controls another entity and as such the adoption of this new standard in future will result in additional disclosures.

The new standard is effective for financial periods beginning on or after 1 January 2013 and the detailed disclosures will only be assessed upon adoption based on the implications of IFRS 10 and IFRS 11.

- IFRS 13 *Fair Value Measurements*. IFRS 13 provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS.

The new standard is effective for financial periods beginning on or after 1 January 2013 and the group is still in process of assessing what the impact of adoption would be.

- IAS 19 *Employee Benefits (Revised)*. Numerous changes to IAS 19 have been made. The two most significant of these relates firstly to short and long-term benefits that will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The second item relates to the corridor mechanism for pension plans being removed. This

Notes to the financial statements continued

for year ended 30 September 2013

means all changes in the value of defined benefit plans will be recognised as they occur. Those movements are recorded in profit or loss and other comprehensive income as follows:
- Profit or loss will be charged with a service cost and a net interest income or expense. The net interest income or expense is the product of the net liability or asset and the discount rate used to measure the obligation – both as at the start of the year. This removes the current concept of expected return on plan assets – where income is credited with the expected long-term yield on the assets in the fund.
- Remeasurements will be recorded in other comprehensive income. These are all other movements in the statement of financial position amount (essentially these are currently described as actuarial gains and losses and any effects of the restriction of a surplus to its recoverable amount).

The amendment is effective for financial periods beginning on or after 1 January 2013. The impact of the changes in definitions is yet to be assessed. For 2013 the removal of the corridor mechanism would have resulted in an increase in the net defined benefit liability and the post-retirement medical benefit liability. Actuarial gains and losses will differ from currently recognised values as net interest income/expense use different values compared to the currently recognised expected return on plan assets on defined benefit liabilities. These actuarial gains and losses will be recognised in other comprehensive income.

- IAS 27 *Separate Financial Statements*. The scope of IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The amendment was issued in response to the issue of IFRS 10.

The amendment is effective for financial periods beginning on or after 1 January 2013. There will be no impact of this amendment, as such investments will remain to be measured at cost.

- IAS 28 *Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)*. The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

The amendment is effective for financial periods beginning on or after 1 January 2013. The impact of this amendment is yet to be assessed.

- IFRS 7 *Disclosures – offsetting financial assets and financial liabilities*. The amendment amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The amendment is effective for financial periods beginning on or after 1 January 2013. The impact of this amendment is yet to be assessed.

- IFRS 10 *Consolidated Financial Statements – Investment in Entities*. The amendment provides an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*.

The amendment is effective for financial periods beginning on or after 1 January 2014. This amendment will have no impact on the group as none of the parent companies in the group comply with the definition of an investment entity.

- IAS 32 *Offsetting Financial Assets and Financial Liabilities*. The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses).

The amendment is effective for financial periods beginning on or after 1 January 2014. The impact of this amendment is yet to be assessed.

- IFRS 9, IFRS 7 *Mandatory Effective Date and Transition Disclosures*. Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed.

The amendment is effective for financial periods beginning on or after 1 January 2015. The impact of this amendment is yet to be assessed.

- IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (amendment)*. These amendments clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify that additional information should also be disclosed on discount rates if fair value less costs of disposal is based on present value techniques.

The amendment is effective for financial periods beginning on or after 1 January 2014. It is unlikely that this amendment will have an impact on the group, as impairment calculations are normally performed on a value-in-use basis.

- IFRIC 21 *Levies*. The interpretation clarifies that a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

The amendment is effective for financial periods beginning on or after 1 January 2014. This amendment will have no impact on the group as the group is not liable for levies imposed by government.

Numerous annual improvements to IFRS (2009 to 2011 cycle) have amendments effective for financial periods beginning on or after 1 January 2013 which will be applied retrospectively.

- IAS 1 *Clarification of the Requirements for Comparative Information*. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. Unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet. This amendment will impact comparatives provided in future if there is a retrospective adjustment.

- IAS 16 *Classification of Servicing Equipment*. The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This amendment will have no impact on the group, as the requirements of this amendment are already applied.

- IAS 32 *Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. This amendment will have no impact on the group, as the requirements of this amendment are already applied.

- IAS 34 *Interim Financial Reporting and Segment Information for Total Assets and Liabilities*. The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. This amendment will impact the group's interim report and/or condensed financial statements only.

The following amendments and interpretations have also been issued, but will not have an impact upon adoption:
- IFRS 1 *Below-Market Government Loans* (effective 1 January 2013)
- IFRS 1 *Borrowing Costs* (effective 1 January 2013)
- IFRS 1 *Application of IFRS 1* where an entity has previously applied IFRS (effective 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective 1 January 2013)

Notes to the financial statements continued

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		2	**Revenue**		
			Turnover	27 003,5	22 677,0
133,2	160,5		Interest received	20,6	52,8
3 127,7	2 396,3		Dividend income	17,0	19,9
–	–		Rental income, fee income and other	23,6	21,2
3 260,9	2 556,8			27 064,7	22 770,9
		3	**Turnover**		
		3.1	**Turnover comprises:**		
			Non-South African turnover	6 608,8	3 512,7
			South African turnover	20 394,7	19 164,3
				27 003,5	22 677,0
			Turnover is net of value added tax, normal discounts, rebates and promotional allowances. Refer to the segmental analysis on page 62 for details of the segmental split.		
		3.2	**Turnover by major customer**		
			Customer 1	4 037,0	3 694,0
			Customer 2	2 830,0	2 864,9
			Customer 3	2 449,9	2 291,1
			Customer 4	1 975,8	1 972,0
			Customer 5	251,1	218,2
			All other customers	15 459,7	11 636,8
				27 003,5	22 677,0
			Customers 1 to 5 relate mainly to domestic operations.		

COMPANY 2013	COMPANY 2012	(R'million)	GROUP 2013	GROUP 2012
		4 Operating income/(loss) before abnormal items		
		4.1 Operating income/(loss) has been determined after charging/(crediting):		
		External auditors' remuneration	35,2	27,0
		› Audit fees	30,7	23,4
		› Other fees and expenses	4,5	3,6
		Internal auditors' remuneration	9,9	8,4
		Depreciation	640,1	425,6
		› On buildings	52,2	38,0
		› On plant, equipment and vehicles	584,1	384,8
		› On capitalised leased assets	3,8	2,8
		Amortisation	47,4	19,5
		› On trademarks and other	42,0	14,1
		› On licence agreements and supplier relationships	0,5	0,6
		› On customer lists	4,9	4,8
1,5	1,6	Fees paid for administrative, managerial and technical services	115,8	113,3
		Operating lease charges	162,2	128,4
		› On land and buildings	72,4	50,4
		› On plant, equipment and vehicles	89,8	78,0
		Net loss/(profit) on disposal of plant, equipment and vehicles	9,0	(3,7)
		Research, development and related expenditure	17,1	14,8
		Share-based payment expenses	134,2	177,7
		› Cash settled	98,0	142,1
		› Equity settled, including BEE-related IFRS 2 expenses	36,2	35,6
		Staff costs	2 501,4	2 200,3
		Employer's contribution to retirement funding	181,3	164,4
		Employer's contribution to medical aid	86,7	81,9
28,7	(4,5)	Foreign exchange (profit)/loss	(21,6)	(16,6)
		4.2 Directors' emoluments		
		Executive directors		
		› Salaries and bonuses	11,6	11,7
		› Retirement, medical and other benefits	19,5	17,8
		Non-executive directors		
5,3	5,0	› Fees	5,3	5,0
5,3	5,0	Total directors' emoluments	36,4	34,5
		Less: Paid by subsidiaries	(31,1)	(29,5)
5,3	5,0	Emoluments paid by company	5,3	5,0

Notes to the financial statements continued

for year ended 30 September 2013

4 Operating income/(loss) before abnormal items (continued)

4.2 Directors' emoluments (continued)

Table of directors' emoluments for the year ended 30 September 2013

	GROUP						
R'000	Fees	Cash salary	Bonus	Other benefits (Note 4)	Retirement fund contributions	Gains on options exercised	Total 2013
Executive directors							
O Ighodaro	–	3 150	–	60	526	–	3 736
PB Matlare (CEO) (Note 1)	–	4 251	1 000	310	748	11 352	17 661
CFH Vaux	–	3 225	8	36	653	5 859	9 781
Total A	–	10 626	1 008	406	1 927	17 211	31 178
Non-executive directors		EFs					
AC Parker (Chairman)	1 382	17	–	–	–	–	1 399
SL Botha	465	–	–	–	–	–	465
MJ Bowman	298	–	–	–	–	–	298
RMW Dunne	765	–	–	–	–	–	765
M Makanjee	362	–	–	–	–	–	362
KDK Mokhele	500	–	–	–	–	–	500
RD Nisbet	429	–	–	–	–	–	429
MP Nyama	382	–	–	–	–	–	382
BL Sibiya (Deputy Chairman)	714	–	–	–	–	–	714
Total B	5 297	17	–	–	–	–	5 314
Total A + B	5 297	10 643	1 008	406	1 927	17 211	36 492
Details of remuneration paid to prescribed officers of the company are set out hereunder:							
NG Brimacombe	–	3 059	4	114	629	3 951	7 757
NP Doyle	–	2 480	–	54	415	–	2 949
AG Kirk (8 July 2013 – 30 September 2013)	–	670	–	67	124	–	861
PM Roux (1 October 2012 – 28 February 2013) (Note 2)	–	1 528	–	438	261	–	2 227
N Segoale (Note 3)	–	3 870	163	1 920	607	3 003	9 563
Total	–	11 607	167	2 593	2 036	6 954	23 357
Aggregated details of remuneration paid to members (five) of the executive committee, excluding executive directors and prescribed officers above, are set out hereunder:							
Total	–	9 799	1	798	1 963	19 271	31 832

Note 1 – A special incentive bonus of R1 000 000 was paid to PB Matlare in December 2012 in recognition of his efforts in respect of progressing the Africa expansion strategy.

Note 2 – Other benefits include notice and leave pay.

Note 3 – Expatriate package which includes accommodation, assignment incentive, relocation allowance and flights home for personal visits.

Note 4 – Includes a long-service allowance of R218 929 paid to a member of the executive committee for 30 years' service effective August 2013.

EFs – Fees paid to the Chairman for his attendance at meetings of the board of directors of Empresas Carozzi, an associate of Tiger Brands.

4 Operating income/(loss) before abnormal items (continued)

4.2 Directors' emoluments (continued)

Table of directors' emoluments for the year ended 30 September 2012

	GROUP						
R'000	Fees	Cash salary	Bonus	Other benefits	Retirement fund contributions	Gains on options exercised	Total 2012
Executive directors							
O Ighodaro	–	2 861	494	60	479		3 894
PB Matlare (CEO)	–	4 040	736	304	712	7 175	12 967
CFH Vaux (Note 1)	–	3 043	542	33	616	8 426	12 660
Total A	–	9 944	1 772	397	1 807	15 601	29 521
Non-executive directors		EFs					
AC Parker (Chairman) (Note 2)	1 010	15					1 010
SL Botha	449	15					449
MJ Bowman (from 1 June 2012)	96	–					96
RMW Dunne	666	15					666
M Makanjee	357	15					357
KDK Mokhele	452	–					452
RD Nisbet	404	15					404
MP Nyama	373	15					373
BL Sibiya (Deputy Chairman)	689	15					689
LC van Vught (to 14 February 2012) (Note 3)	471	–		8			479
Total B	4 967		–	8	–	–	4 975
Total A + B	4 967	9 944	1 772	405	1 807	15 601	34 496
Details of remuneration paid to prescribed officers of the company are set out hereunder:							
NG Brimacombe	–	2 857	517	109	588	8 763	12 834
NP Doyle (1 July 2012 – 30 September 2012)	–	779	–	18	131	–	928
PM Roux	–	3 488	617	155	597	–	4 857
N Segoale	–	2 787	543	400	523	3 101	7 354
Total	–	9 911	1 677	682	1 839	11 864	25 973
Aggregated details of remuneration paid to members (six) of the executive committee, excluding executive directors and prescribed officers above, are set out hereunder:							
Total (Note 4 and 5)	–	8 492	1 010	1 900	1 738	10 681	23 821

Note 1 – Included under gains on options exercised is an amount of R3 480 219 in respect of share options in Adcock Ingram Holdings Limited and the Spar Group Limited exercised in January 2012.

Note 2 – Includes fees paid as a non-executive director of the company for the period 1 October 2011 to 13 February 2012, and remuneration paid as Chairman of the company from 14 February 2012 to 30 September 2012.

Note 3 – Other benefits comprise an amount of R8 333 being the value of a farewell gift.

Note 4 – Included in other benefits is an amount of R1 163 231 in respect of a severance package paid to a member of the executive committee.

Note 5 – Included under gains on options exercised is an amount of R372 781 in respect of share options in Adcock Ingram Holdings Limited exercised by a member of the executive committee in May 2012.

EFs – Extra fees paid for additional work undertaken. These extra fees are included in the column under fees and are also shown separately for information purposes.

4.3 Directors' service contracts

No directors have service contracts with notice periods of more than three months.

Notes to the financial statements continued

for year ended 30 September 2013

Company 2013	Company 2012		(R'million)	Group 2013	Group 2012
		5	**Abnormal items**		
(15,0)	(25,3)		Acquisition costs	(15,0)	(25,3)
			Net profit on disposal of property, plant and equipment	11,1	36,2
			Write-off of intangible assets (refer note 13.3)	(2,9)	–
			Impairment of property, plant and equipment	–	(0,9)
			Profit on sale of investments	–	(5,2)
(56,1)	(6,1)		Exchange rate translation of loan	–	–
			Other	4,4	–
(71,1)	(31,4)		Abnormal profit before taxation	(2,4)	4,8
15,7	1,7		Income tax expense	(3,1)	(5,5)
(55,4)	(29,7)		Attributable to shareholders in Tiger Brands Limited	(5,5)	(0,7)
			Abnormal items are items of income and expenditure which are not directly attributable to normal operations or where their size or nature are such that additional disclosure is considered appropriate.		
		6	**Interest**		
(14,6)	(23,4)	6.1	Finance costs	(399,4)	(191,0)
(14,0)	(12,3)		Long-term borrowings	(245,7)	(54,3)
(0,6)	(10,8)		Bank and other short-term borrowings	(144,2)	(120,6)
–	–		Other – financial liabilities	(7,7)	(10,5)
–	(0,3)		Other – non-financial liabilities	(1,8)	(5,6)
133,2	160,5	6.2	Interest received	20,6	52,8
21,3	20,6		From subsidiary companies		
111,6	139,9		From cash and cash equivalents	17,8	43,7
0,3	–		From other sources – non-financial assets	2,8	9,1
118,6	137,1		Net (finance costs)/interest received	(378,8)	(138,2)
		7	**Investment income**		
2 981,3	2 254,8		From subsidiary companies		
			From investment of employer-controlled reserve invested by pension fund on behalf of Tiger Brands Limited	4,7	8,8
146,4	141,4		From BEE empowerment entities		
			From other investments		
–	–		▸ Listed	12,3	11,1
–	0,1		▸ Unlisted	–	–
3 127,7	2 396,3			17,0	19,9

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		8	**Taxation**		
30,8	42,6	8.1	South African current taxation	867,1	952,8
–	5,3		Secondary tax on companies	–	70,1
7,8	4,7		Withholding and foreign taxes	80,0	49,2
38,6	52,6			947,1	1 072,1
2,2	0,2		Deferred taxation	(106,7)	(48,5)
2,2	0,2		› Temporary differences	(106,7)	(57,5)
–	–		› Secondary tax on companies	–	9,0
40,8	52,8			840,4	1 023,6
			Adjustments in respect of previous years		
–	(1,5)		› Current taxation	0,5	(1,3)
–	–		› Foreign taxation	0,2	5,1
–	–		› Deferred taxation	(10,5)	(4,2)
40,8	51,3			830,6	1 023,2
			Taxation on abnormal items		
(8,2)	–		› Current	(5,1)	4,6
(7,5)	(1,7)		› Deferred	8,2	0,9
25,1	49,6			833,7	1 028,7
%	%	8.2	The reconciliation of the effective rate of taxation with the statutory taxation rate is as follows:	%	%
0,8	2,0		Taxation for the year as a percentage of income before taxation	25,9	27,2
27,9	26,8		Dividend income	0,1	0,1
(0,4)	(0,5)		Expenses and provisions not allowed for taxation	(1,5)	(1,2)
			Assessed losses not recognised	(0,2)	–
–	(0,2)		Secondary tax on companies	–	(2,1)
–	–		Tax effect of capital profits	–	(0,1)
			Income from associates	4,5	3,1
(0,3)	(0,1)		Effect of differing rates of foreign taxes, prior year adjustments and other sundries	(0,8)	1,0
28,0	28,0		Rate of South African company taxation	28,0	28,0
			(R'million)		
			Tax effect of losses available to reduce future taxable income	124,6	63,5
		8.3	Reconciliation of movement on deferred taxation		
			Movement recognised in the income statement for the year		
2,2	0,2		Current year charge	(106,7)	(48,5)
–	–		Adjustments in respect of previous years	(10,5)	(4,2)
(7,5)	(1,7)		Deferred tax on abnormal items	8,2	0,9
(5,3)	(1,5)			(109,0)	(51,8)
			Movement per deferred tax accounts		
(7,5)	(1,7)		Increase in deferred taxation asset	(105,8)	(17,3)
2,2	0,2		Increase/(decrease) in deferred taxation liability	(3,2)	(34,5)
(5,3)	(1,5)			(109,0)	(51,8)

Notes to the financial statements continued

for year ended 30 September 2013

		GROUP 2013	GROUP 2012
9	**Calculation of weighted average number of shares for headline earnings per share and basic earnings per share purposes**		
9.1	**Opening balance of number of ordinary shares**	180 869 280	180 315 247
	Weighted number of ordinary shares – issued	236 769	318 800
	Weighted number of shares held for BEE deal	(21 351 327)	(21 370 813)
	Weighted average number of shares in issue	159 754 722	159 263 234
9.2	**Weighted average number of shares in issue**	159 754 722	159 263 234
	Share options dilution	4 072 813	3 350 420
	Adjusted number of ordinary shares for diluted earnings per share and diluted headline earnings per share purposes	163 827 535	162 613 654
9.3	**Headline earnings (R'million)**	2 594,2	2 690,0
	Continuing operations	2 507,5	2 690,0
	Discontinued operation	86,7	–
	Income attributable to shareholders of the parent	2 569,2	2 718,2
	Continuing operations	2 508,5	2 718,2
	Discontinued operation	60,7	–

9.4 Reconciliation between profit for the year and headline earnings

(R'million)	Gross	Taxation	Non-controlling interest	Net
2013				
Continuing operations				
Earnings/profit attributable to shareholders of the parent				2 508,5
Adjusted for:				
Profit on sale of property, plant and equipment	(2,1)	2,0	(2,9)	(3,0)
Write-off of intangible assets	2,9	–	–	2,9
Headline earnings adjustments – associates				
Profit on sale of intangible assets	(1,2)	0,3	–	(0,9)
Headline earnings for the year	(0,4)	2,3	(2,9)	2 507,5

9 Calculation of weighted average number of shares for headline earnings per share and basic earnings per share purposes continued

9.4 Reconciliation between profit for the year and headline earnings continued

(R'million)	Gross	Taxation	Non-controlling interest	Net
Discontinued operation				
Earnings/profit attributable to shareholders of the parent				60,7
Adjusted for:				
Loss on sale of property, plant and equipment	15,5	–	(5,8)	9,7
Loss on remeasurement to fair value on transfer of net assets to held-for-sale	25,8	–	(9,5)	16,3
Headline earnings for the year	41,3	–	(15,3)	86,7
Excluding Dangote Flour Mills (DFM)				
Earnings/profit attributable to shareholders of the parent				2 508,5
Loss attributable to Dangote Flour Mills (DFM)				342,7
Adjusted earnings/profit attributable to shareholders of the parent				2 851,2
Adjusted for:				
Profit on sale of property, plant and equipment	(10,0)	2,1	–	(7,9)
Write-off of intangible assets	2,9	–	–	2,9
Headline earnings adjustments – Associates				
› Profit on sale of intangible assets	(1,2)	0,3	–	(0,9)
Headline earnings for the year	(8,3)	2,4	–	2 845,3

Notes to the financial statements continued

for year ended 30 September 2013

9 Calculation of weighted average number of shares for headline earnings per share and basic earnings per share purposes continued

9.4 Reconciliation between profit for the year and headline earnings continued

(R'million)	Gross	Taxation	Non-controlling interest	Net
2012				
Earnings/profit attributable to shareholders of the parent				2 718,2
Adjusted for:				
Profit on sale of intangible assets	(35,0)	4,9	–	(30,1)
Profit on sale of property, plant and equipment	(4,9)	0,7	–	(4,2)
Impairment of property, plant and equipment	0,9	(0,3)	–	0,6
Headline earnings adjustments – associates				
Impairment of intangible assets	5,9	–	–	5,9
Profit on sale of property, plant and equipment	(0,4)	–	–	(0,4)
Headline earnings for the year	(33,5)	5,3	–	2 690,0

(R'million)	2013	2012
9.5 Headline earnings per share		
Headline earnings per ordinary share (cents)	1 623,9	1 689,0
Continuing operations	1 569,6	1 689,0
Discontinued operation	54,3	–
Diluted headline earnings per ordinary share (cents)	1 583,5	1 654,2
Continuing operations	1 530,6	1 654,2
Discontinued operation	52,9	–
Headline earnings (excluding DFM) per ordinary share (cents)	1 781,0	1 689,0
Diluted headline earnings (excluding DFM) per ordinary share (cents)	1 736,8	1 654,2

COMPANY 2013	COMPANY 2012	(R'million)	GROUP 2013	GROUP 2012
		10 Dividends		
1 621,0	1 504,7	**10.1 Dividends on ordinary shares (R'million)**	1 416,2	1 314,1
		Dividend paid to Empowerment Trusts	33,9	32,2
–	953,0	Dividend No 134 of 510 cents per share – paid	–	812,3
–	551,7	Dividend No 135 of 295 cents per share – paid	–	469,6
1 039,9	–	Dividend No 136 of 555 cents per share – paid	886,7	–
581,1	–	Dividend No 137 of 310 cents per share – paid	495,6	–
865,0	850,0	**10.2 Dividends per ordinary share (cents)**	865,0	850,0
–	295,0	Dividend No 135 – paid	–	295,0
–	555,0	Dividend No 136 – paid	–	555,0
310,0	–	Dividend No 137 – paid	310,0	–
555,0	–	Dividend No 138 – declared 19 November 2013	555,0	–

11 Property, plant and equipment

		GROUP 2013	GROUP 2012
11.1	**Freehold land and buildings**	1 061,1	1 046,5
	Cost	1 368,8	1 316,7
	Accumulated depreciation	(307,7)	(270,2)
11.2	**Leasehold land and buildings**	491,6	101,9
	Cost	556,0	120,1
	Accumulated depreciation	(64,4)	(18,2)
	Total land and buildings	1 552,7	1 148,4
11.3	**Plant, vehicles, and equipment**	3 931,5	2 201,9
	Cost	7 965,7	4 797,3
	Accumulated depreciation	(4 034,2)	(2 595,4)
11.4	**Capitalised leased assets**	14,5	8,9
	Cost	28,4	13,1
	Accumulated depreciation	(13,9)	(4,2)

11.5 Land and buildings and plant and machinery having a book value of R1 307,8 million (2012: R175,9 million), are mortgaged/pledged as security for long-term loans of R963,8 million (2012: R59,0 million) included in note 31.1 and capitalised finance leases of R11,6 million (2012: R8,4 million) as per note 31.3.

Notes to the financial statements continued

for year ended 30 September 2013

11 Property, plant and equipment (continued)

(R'million)	GROUP				
	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Capitalised leased assets	Total
11.6 Movement of the group property, plant and equipment					
2013					
Net balance at the beginning of the year	1 046,5	101,9	2 201,9	8,9	3 359,2
Business combinations	–	385,4	1 985,4	–	2 370,8
Additions	54,2	6,4	657,6	9,4	727,6
	1 100,7	493,7	4 844,9	18,3	6 457,6
Disposals	(0,4)	–	(44,1)	–	(44,5)
Transfer to assets held-for-sale	(6,4)	(61,9)	(499,3)	–	(567,6)
Loss on remeasurement to fair value on transfer of net assets to held-for-sale	–	–	(25,8)	–	(25,8)
Depreciation	(39,2)	(14,8)	(649,0)	(3,8)	(706,8)
Exchange rate translation difference	6,4	74,6	304,8	–	385,8
Net balance at the end of the year	1 061,1	491,6	3 931,5	14,5	5 498,7
2012					
Net balance at the beginning of the year	980,5	104,7	2 230,2	1,3	3 316,7
Business combinations	–	–	2,5	–	2,5
Additions	98,9	1,2	369,8	10,4	480,3
	1 079,4	105,9	2 602,5	11,7	3 799,5
Disposals	(0,6)	–	(20,2)	–	(20,8)
Impairment	–	–	(0,9)	–	(0,9)
Depreciation	(33,5)	(4,5)	(384,8)	(2,8)	(425,6)
Exchange rate translation difference	1,2	0,5	5,3	–	7,0
Net balance at the end of the year	1 046,5	101,9	2 201,9	8,9	3 359,2

Borrowing costs amounting to R5,7 million (2012: R36,5 million) relating to plant were capitalised during the year.

	(R'million)	GROUP 2013	GROUP 2012
12	**Goodwill and intangible assets**		
12.1	**Goodwill**	3 173,2	2 361,1
	Cost	3 289,3	2 477,2
	Accumulated impairment	(116,1)	(116,1)
	Movement of group goodwill		
	Net balance at the beginning of the year	2 361,1	2 361,8
	Business combinations	646,3	–
		3 007,4	2 361,8
	Impairment of goodwill	–	–
	Exchange rate translation difference	165,8	(0,7)
	Net balance at the end of the year	3 173,2	2 361,1
	The carrying value of goodwill is allocated to cash-generating units as follows:		
	Exports and International	1 105,5	1 096,3
	Nigeria	944,0	141,1
	Beverages	580,5	580,5
	Groceries	72,3	72,3
	Value Added Meat Products	6,0	6,0
	HPCB	464,9	464,9
		3 173,2	2 361,1
12.2	**Intangible assets**		
12.2.1	Trademarks and other	1 704,6	1 114,5
	Cost	1 797,4	1 162,4
	Accumulated amortisation	(92,8)	(47,9)
12.2.2	Licence agreements and supplier relationships	20,9	21,4
	Cost	25,0	25,0
	Accumulated amortisation	(4,1)	(3,6)
12.2.3	Customer lists	525,9	515,1
	Cost	538,0	522,3
	Accumulated amortisation	(12,1)	(7,2)
	Total intangible assets	2 251,4	1 651,0

Notes to the financial statements continued

for year ended 30 September 2013

(R'million)	GROUP Trademarks and other	Licence agreements and supplier relationships	Customer lists	Total
12 Goodwill and intangible assets (continued)				
12.3 Movement of group intangible assets				
2013				
Net balance at the beginning of the year	1 114,5	21,4	515,1	1 651,0
Additions	485,0	–	–	485,0
Business combinations	134,1	–	–	134,1
Written off	(2,9)	–	–	(2,9)
Amortisation	(42,0)	(0,5)	(4,9)	(47,4)
Exchange rate translation difference	15,9	–	15,7	31,6
Net balance at the end of the year	1 704,6	20,9	525,9	2 251,4
2012				
Net balance at the beginning of the year	922,0	22,0	519,9	1 463,9
Additions	207,0	–	–	207,0
Amortisation	(14,1)	(0,6)	(4,8)	(19,5)
Exchange rate translation difference	(0,4)	–	–	(0,4)
Net balance at the end of the year	1 114,5	21,4	515,1	1 651,0

Trademarks comprise well-established, growing brands. Except for trademarks with a cost of R389,8 million (2012: R349,0 million) which are amortised, the brand portfolio is considered to have an indefinite useful life and is therefore not amortised. Refer to the accounting policies for further details on amortisation.

13 Impairment testing of goodwill and intangible assets with indefinite lives

Annually or if there is an indication of impairment, all indefinite life intangible assets and goodwill are assessed for impairment. Goodwill acquired through business combinations, trademarks, licence agreements, supplier relationships, customer lists and restraint of trade agreements have been allocated to cash-generating units to facilitate this assessment.

The key assumptions disclosed below are based on management's experience and expectations. Based on this experience and the well-established brands the group owns, management considers forecast cash flow periods in excess of five years to be appropriate.

13.1 Methods and assumptions

The group applies a post-tax discounted cash flow methodology (value in use) to assess goodwill and certain indefinite life intangible assets for impairment. This methodology entails a calculation of the present value of post-tax future cash flows generated by applicable cash-generating units over a period of 10 years and incorporates a terminal growth rate.

These cash flows are based on forecasts which include assumptions on profit before interest and tax, depreciation, working capital movements, capital maintenance expenditure, an appropriate discount rate and a terminal growth rate. The terminal growth rate used is 1% (2012: 1%), however it is dependent on the industry and maturity of the cash-generating unit.

Trademarks

The group applies the "relief-from-royalty" valuation methodology to value trademark assets. This methodology entails quantifying royalty payments, which would be required if the trademark were owned by a third party and licensed to the company.

Main inputs used are forecast future sales, a notional royalty rate payable in an arm's length transaction and an appropriate discount rate.

Customer lists

The group applies the "multi-period excess earnings" valuation methodology to value customer lists. The method is based on apportioning the returns earned by a business across its tangible and intangible assets.

Main inputs used are forecast sales to which the customer relationships contribute and estimated cash flows earned from these sales, a tax rate of 28% (2012: 28%) and a required rate of return.

13.2 Discount rates

Post-tax discount rates applied range from 11% to 16% (2012: 11,0% to 14,6%) as applicable to the cash-generating unit.

The post-tax discounted cash flow models are most sensitive to the discount rates, although reasonably possible movements in the discount rate of 1% do not result in any material movements to recoverable amounts which could cause them to be exceeded by carrying amounts. A change in the discount rate between 1,5% and 25,5% (2012: 2,5% and 21,5%), dependent on the cash-generating unit and specific intangible asset, will result in the recoverable amount equalling the carrying amount.

13.3 Recorded write-off

Included in abnormal items is an amount of R2,9 million relating to the write-off of trademarks within the HPCB operating segment. This write-off is attributable to the discontinuation of the respective brands.

Notes to the financial statements continued

for year ended 30 September 2013

Company 2013	Company 2012		(R'million)	Group 2013	Group 2012
		14	**Interest in subsidiary companies** (Annexure A)		
4 454,9	2 974,3		Shares at cost less amounts written off		
2 529,8	2 734,5	15	**Amounts owed by subsidiaries** (Annexure A)		
			Refer to the related parties note 38 for additional information		
		16	**Investments in associated companies** (Annexure B)		
442,1	128,5		Listed, at cost	946,7	633,1
421,1	421,1		Unlisted, at cost less amounts written off	1 005,8	763,0
			Share of accumulated profits and reserves since acquisition	948,1	733,8
863,2	549,6			2 900,6	2 129,9
4 838,1	2 710,2		Fair value of listed investments	4 838,1	2 710,2
			The trading results of the associate companies whose results are equity accounted in the consolidated financial statements are as follows:		
			Revenue (100%)	19 690,3	16 064,7
			Turnover (100%)	19 648,3	16 017,4
			Profit for the year (100%)	1 491,3	1 220,9
			Profit attributable to ordinary shareholders of Tiger Brands	515,1	415,7
			Oceana Group Limited		
			› Normal trading	248,2	219,8
			› Abnormal items	0,9	(21,4)
			Oceana Group Limited (after abnormal items)	249,1	198,4
			Empresas Carozzi	186,5	152,5
			UAC Foods	41,2	35,1
			National Foods Holdings Limited	38,3	29,7
			Less: Dividends	(300,8)	(175,9)
			Share of associated companies' income less dividends received	214,3	239,8

COMPANY 2013	COMPANY 2012	(R'million)	GROUP 2013	GROUP 2012
		16 Investments in associated companies (continued)		
		(Annexure B) (continued)		
		Share of movement in associates' reserves		
		The aggregate statements of financial position of associates are summarised as follows (100%):		
		Property, and plant and equipment	8 427,8	6 468,0
		Goodwill and intangible assets	2 325,9	1 883,3
		Investments	126,7	159,7
		Deferred taxation	30,4	23,2
		Net current assets	2 202,4	2 140,7
		Total assets	13 113,2	10 674,9
		Long-term liabilities	(3 567,8)	(2 960,6)
		Deferred taxation	(928,7)	(557,6)
		Total shareholders' funds	8 616,7	7 156,7

The results of Oceana Group Limited for the 12 months ended 30 September 2013 have been used in preparation of these financial statements. The results represent the latest available financial information which have been subject to an audit by the associate company auditors.

The results of Empresas Carozzi for the 12 months ended 31 August 2013 have been used in preparation of these financial statements. Management accounts represent the latest available financial information which have been subject to a review by the associate company auditors. There have been no material differences noted in the associate's results during September 2013. Empresas Carozzi operates in various food categories as outlined on page 58.

The results of UAC Foods for the 12 months ended 30 September 2013 have been used in preparation of these financial statements. Management accounts represent the latest available financial information which have been subject to a review by the associate company auditors. UAC Foods operates primarily in the branded savoury, snacks, dairy and beverages categories in Nigeria.

The results of National Foods Holdings Limited for the 12 months ended 30 September 2013 have been used in the preparation of these financial statements. Management accounts represent the latest financial information. The associate company has been subject to an audit for their year ended 30 June 2013 and the three months to 30 September 2013 have been subject to a review by the associate company auditors.

Notes to the financial statements continued

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		17	**Other investments**		
			(Annexure C)		
			Listed, at fair value	411,6	359,7
7,0	5,5		Unlisted, at fair value	8,7	7,1
			Employer controlled reserve invested by pension fund on behalf of Tiger Brands Limited		
			▸ Defined contribution	42,2	109,1
			▸ Defined benefit (refer note 34)	43,0	41,3
1 610,4	1 610,4		BEE Phase II empowerment entities preference shares		
333,5	297,3		Notional investment in subsidiary companies in terms of IFRS 2		
1 950,9	1 913,2			505,5	517,2
			Fair value of listed investments	411,6	359,7
		18	**Loans**		
			Share Trust participants	0,1	0,1
			Loans to empowerment entities		
229,5	174,1		▸ Tiger Brands Foundation		
45,8	34,7		▸ Thusani II		
2,5	2,4		Other	7,1	7,5
277,8	211,2			7,2	7,6

18.1 Loans to empowerment entities

Loans to empowerment entities consist of accrued dividends receivable on the investment in preference shares in connection with the BEE Phase II empowerment transaction (refer to note 17). Preference dividends are calculated based on 93,5% of the prime interest rate prevailing from time to time.

18.2 Tiger Brands Share Trust

The Tiger Brands Share Trust was formed to finance the purchase of ordinary shares in the company by employees of the group.

The loan is secured by the pledge of the ordinary shares purchased in terms of the scheme and is repayable within 10 years after the grant of the option. Interest is determined by the directors six months in arrears. The interest rate applied is 1% for both 2013 and 2012.

The loan relates to the purchase of shares in Adcock Ingram Holdings Limited. The market value of Adcock Ingram Holdings Limited shares pledged as security for the loan granted amounted to R1,1 million at 30 September 2013 (2012: R0,9 million).

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		19	**Deferred taxation asset**		
		19.1	**Movement of deferred taxation asset**		
1,9	0,2		Balance at the beginning of the year	371,2	348,4
			Net reallocation between deferred taxation asset and deferred taxation liability	–	3,4
1,9	0,2		Adjusted balance at the beginning of the year	371,2	351,8
			Business combinations	73,9	–
			Transfer to held-for-sale	(36,7)	–
			Adjustment in respect of currency losses taken directly to non-distributable reserve	26,9	1,7
			Exchange rate translation reserve	19,8	0,4
7,5	1,7		Income statement movement	141,8	17,3
7,5	1,7		‣ Continuing operations	105,8	17,3
			‣ Discontinued operation	36,0	–
9,4	1,9		Balance at the end of the year (refer note 28.1)	596,9	371,2
		19.2	**Analysis of deferred tax asset**		
			Losses available for offset against future taxable income	124,6	63,5
			Provisions	406,3	280,9
			Property, plant and equipment	44,0	–
9,4	1,9		Other temporary differences	22,0	26,8
9,4	1,9			596,9	371,2
			Disclosed on the statement of financial position as follows:		
(6,3)	(1,0)		Deferred tax asset	(138,2)	(43,9)
–	–		Deferred tax liability	398,8	294,0
(6,3)	(1,0)		Net deferred tax liability/(asset)	260,6	250,1
			Assessed losses available for offset against future taxable income have been recognised as it is probable that there will be future taxable income against which the assessed loss may be utilised.		
		20	**Inventories**		
			Raw materials	2 187,3	1 354,3
			Partly processed goods	59,4	60,9
			Finished goods and merchandise	2 146,4	1 953,9
			Consumable stores and spares	201,8	239,6
			Other	57,8	48,6
				4 652,7	3 657,3
			Inventories to the value of R73,3 million (2012: R78,0 million) are carried at net realisable value.		
			The amount of write down of inventories recognised in cost of sales as an expense is R125,3 million (2012: R43,5 million).		

Notes to the financial statements continued

for year ended 30 September 2013

Company 2013	Company 2012	(R'million)	Group 2013	Group 2012
		21 Trade and other receivables		
		21.1 Analysis of trade and other receivables		
		Trade receivables	3 676,6	2 987,7
–	4,0	Tax overpaid	23,5	9,3
–	–	Prepayments	182,7	105,8
		Defined benefit pension surplus – refer note 34	47,8	42,6
45,0	97,6	Sundry receivables	691,4	670,6
45,0	101,6		4 622,0	3 816,0
		Impairment provision – Trade receivables	(443,6)	(60,9)
45,0	101,6		4 178,4	3 755,1

Trade receivables, which generally have 30 to 60-day terms, are non-interest-bearing and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

21.2 Impairment provisions

Provision is made when there is objective evidence that the group will not be able to collect the debts. The allowance raised is the amount needed to reduce the carrying value to the present value of expected future cash receipts. Bad debts are written off when identified. Movements in the impairment provision were as follows:

(R'million)	Group 2013	Group 2012
Reconciliation of trade receivables impairment provision		
Balance at the beginning of the year	(60,9)	(55,2)
Utilised during the year	10,4	4,9
Reversed during the year	3,6	1,7
Raised during the year*	(396,7)	(12,3)
Balance at the end of the year	(443,6)	(60,9)

**R326,3 million as a result of the acquisition of Dangote Flour Mills Plc, refer note 39.*

COMPANY 2013	COMPANY 2012	(R'million)	GROUP 2013	GROUP 2012
		21 Trade and other receivables (continued)		
		21.3 Past due or impaired analysis		
		As at 30 September, the ageing analysis of trade receivables was as follows:		
		Not past due, or impaired	2 414,7	2 262,2
		The historical level of customer default is minimal and as a result the credit quality of year-end receivables, which are not past due or impaired, is considered to be good.		
		Past due and not impaired:		
		Current to 60 days	715,3	652,7
		61 to 90 days	31,5	48,3
		91 to 180 days	21,2	23,1
		> 180 days	493,9	1,4
		Total	3 676,6	2 987,7
		As at 30 September, the ageing analysis of sundry receivables and defined benefit pension surplus was as follows:		
45,0	97,6	Not past due, or impaired	651,8	652,5
		Past due and not impaired:		
		Current to 60 days	72,5	50,6
		61 to 90 days	2,4	1,6
		91 to 180 days	2,7	–
		> 180 days	9,8	8,5
45,0	97,6	Total	739,2	713,2
		21.4 Trade receivable analysis		
		Industry spread of trade receivables:		
		Retail	1 592,0	1 381,9
		Wholesale/Distributors	1 536,8	1 152,7
		Export	360,6	372,3
		Other	187,2	80,8
		Total	3 676,6	2 987,7
		Geographical spread of trade receivables:		
		South Africa	2 438,5	2 419,1
		Rest of Africa	1 178,3	443,6
		Europe	20,2	23,7
		Rest of the world	39,6	101,3
		Total	3 676,6	2 987,7
		21.5 Collateral held and pledged		
		Collateral pledged		
		Tiger Brands Limited has pledged shares in Chocolaterie Confiserie Camerounaise with a carrying amount of R152,7 million (2012: R152,7 million) as security for a loan from Standard Chartered Bank with a carrying amount of R193,6 million (2012: R155,1 million).		
		Collateral held		
		Fair value of collateral held	11,0	8,9
		Collateral held represents hawker deposits which may be applied against accounts which are in default.		

Notes to the financial statements continued

for year ended 30 September 2013

(R'million)	GROUP 2013	GROUP 2012
22 Assets classified as held-for-sale		
Salt River factory held-for-sale (i)	6,5	–
Assets related to Dangote Agrosacks Limited, held-for-sale (ii)	1 274,2	–
	1 280,7	–
Assets classified as held-for-sale		
The major classes of assets and liabilities of the Agrosacks business at the end of the reporting period are as follows:		
Property, plant and equipment	561,1	–
Deferred tax asset	36,7	–
Inventory	243,6	–
Trade and other receivables	412,4	–
Cash and cash equivalents	20,4	–
	1 274,2	–
Liabilities directly associated with the assets classified as held-for-sale		
Short-term borrowings	(199,0)	–
Trade payables	(491,3)	–
Deferred tax liability	(8,3)	–
	(698,6)	–
Foreign currency translation reserve related to assets classified as held-for-sale	(73,1)	–
Non-controlling interest related to net assets classified as held-for-sale	(129,4)	–
Net assets of Dangote Agrosacks Limited classified as held-for-sale	373,1	–

(i) The group intends to dispose of its Salt River factory, out of the Beverages operating segment, within the next 12 months. No impairment loss was recognised on the reclassification of the factory as held-for-sale as the expected fair value less cost to sell is higher than carrying value.

(ii) The group plans to dispose of its subsidiary, Dangote Agrosacks Limited, out of the Nigerian operating segment, due to the non-strategic fit within the Tiger Brands group and anticipates that the disposal will be completed by December 2013. As the expected fair value less cost to sell is lower than the carrying value, a loss on remeasurement to fair value of R25,8 million has been recognised on reclassification of the business as held-for-sale – refer note 41.

23 Share-based payment plans

23.1 General employee share option plan

Certain senior employees are entitled to receive options based on merit. Options are issued annually by the board of directors of the company.

Between January 2006 and March 2013 a cash-settled option scheme was applied by the company, which replaced the previous equity-settled share option scheme. During March 2013, a hybrid scheme was introduced where executives and managers of the company and its subsidiaries are offered a weighted combination of:

- Allocations of share appreciation rights;
- Conditional awards of full value performance shares; and
- Grants of full value restricted shares (bonus matching and deferral element).

The hybrid scheme is regarded as an equity-settled share option scheme.

The expense recognised for employee services received during the year to 30 September 2013 is R134,2 million (2012: R142,1 million). No expenses were recognised in the current or previous financial year relating to the previous equity-settled share-based scheme. The portion of the expense arising from the share appreciation rights and performance share options transactions amounted to R2,4 million and R2,7 million respectively. No restricted shares were granted during the year under review.

Equity settled

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding at the beginning of the year	735 330	56,36	1 082 530	51,99
Forfeited during the year	–	–	(26 400)	–
Exercised during the year[1]	(276 930)	51,09	(320 800)	42,23
Outstanding at the end of the year	458 400	59,54	735 330	56,36
Exercisable at the end of the year	458 400	59,54	735 330	56,36

[1] *The weighted average share price at the date of exercise for the options exercised is R305,77 (2012: R246,88).*
The weighted average remaining contractual life for share options outstanding as at 30 September 2013 is 0,67 years (2012: 1,34 years).
The range of exercise prices for options outstanding at the end of the year was R51,29 – R99,24 (2012: R44,32 – R99,24).

The observable volatility in the market was the basis upon which the options were valued.

Share options were fair valued using a modified Black-Schöles model.

The following inputs were used:

Date of grant	Strike price (Rand)	Expiry date	Market price of underlying stock at grant date (Rand)	Expected volatility of the stock over remaining life of option (%)	Dividend cover (times)
29/01/2004	51,29	28/01/2014	82,65	22,2	2,5
25/01/2005	75,13	24/01/2015	95,36	20,4	2,0
01/09/2005	99,24	31/08/2015	131,80	–	2,0

The interest rate yield curve was derived from the Nedbank Treasury calculation.

Notes to the financial statements continued

for year ended 30 September 2013

23 Share-based payment plans (continued)

23.1 General employee share option plan (continued)

Share appreciation rights

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share appreciation rights during the year.

	2013 Number	2013 WAEP
Outstanding at the beginning of the year	–	–
Granted during the year	445 800	299,83
Forfeited during the year	(10 100)	299,83
Exercised during the year[1]	–	–
Outstanding at the end of the year	435 700	299,83
Exercisable at the end of the year	–	–

[1] The weighted average remaining contractual life for cash-settled options outstanding as at 30 September 2013 is 5,61 years. The weighted average fair value of options granted during the year was R64,46 per option. The exercise price for options outstanding at the end of the year was R299,83.

Options were valued using a modified Black-Schöles model taking into account the dividend cover, expected exercise pattern and volatility of the Tiger Brands share price. Subject to certain performance conditions, one third of the cash-settled share options vest on each of the third, fourth and fifth anniversary dates from the date of the original grant date. All the share appreciation rights mature six years after the grant date.

The following inputs were used:

Date of grant	Strike price (Rand)	Expiry date	Market price of underlying stock at grant date (Rand)	Expected volatility of the stock over remaining life of option (%)	Expected dividend cover (times)
30/09/2013	299,83	29/09/2019	299,11	24,5	2,0
13/02/2013	299,83	12/02/2019	289,50	23,2	2,0

Volatilities are based on the historical volatility of the Tiger Brands share price matching the remaining life of each option.

Performance shares

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share appreciation rights during the year.

	2013 Number
Outstanding at the beginning of the year	–
Granted during the year	53 400
Forfeited during the year	(1 800)
Exercised during the year[1]	–
Outstanding at the end of the year	51 600
Exercisable at the end of the year	–

[1] The weighted average remaining contractual life for cash-settled options outstanding as at 30 September 2013 is 2,37 years. The weighted average fair value of options granted during the year was R262,21 per option.

Options were valued using a modified Black-Schöles model taking into account the dividend cover, expected exercise pattern and volatility of the Tiger Brands share price.

23 Share-based payment plans (continued)

23.1 General employee share option plan (continued)

The following inputs were used:

Date of grant	Expiry date	Market price of underlying stock at grant date (Rand)	Expected volatility of the stock over remaining life of option (%)	Expected dividend cover (times)
13/02/2013	12/02/2016	289,50	20,8	2,0

Volatilities are based on the historical volatility of the Tiger Brands share price matching the remaining life of each option.

Cash settled

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, cash-settled options during the year.

	2013		2012	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	3 028 470	177,92	3 164 556	155,80
Granted during the year	180 300	293,61	590 200	253,12
Forfeited during the year	(302 907)	197,59	(222 485)	179,38
Exercised during the year	(533 036)	139,29	(503 801)	129,41
Outstanding at the end of the year[1]	2 372 827	192,88	3 028 470	177,92
Exercisable at the end of the year	465 081	138,31	401 607	131,57

[1] *The weighted average remaining contractual life for cash settled options outstanding as at 30 September 2013 is 2,9 years (2012: 3,43).*
The weighted average fair value of options granted during the year was R67,22 per option (2012: R58,14).
The range of exercise prices for options outstanding at the end of the year was R106,44 – R299,83 (2012: R106,44 – R253,18).

The weighted average share price at the date of exercise was R303,08.

Cash options were valued using a modified Black-Schöles model taking into account the dividend cover, expected exercise pattern and volatility of the Tiger Brands share price. Subject to certain performance conditions, one third of the cash-settled share options vest on each of the third, fourth and fifth anniversary dates from the date of the original grant date. All the cash-settled options mature six years after the grant date.

Notes to the financial statements continued

for year ended 30 September 2013

23 Share-based payment plans (continued)

23.1 General employee share option plan (continued)

The following inputs were used:

Date of grant	Strike price (Rand)	Expiry date	Market price of underlying stock at grant date (Rand)	Expected volatility of the stock over remaining life of option (%)	Expected dividend cover (times)
13/02/2013	299,83	12/02/2019	289,50	25,3	2,0
01/10/2012	265,42	30/09/2018	272,35	24,2	2,0
02/07/2012	252,01	01/07/2018	247,00	24,5	2,0
03/02/2012	253,18	02/02/2018	255,00	25,2	2,0
01/06/2011	186,97	31/05/2017	194,90	24,8	2,0
02/02/2011	189,09	01/02/2017	188,16	25,9	2,0
21/06/2010	176,39	20/06/2016	177,00	25,5	2,0
03/02/2010	172,07	02/02/2016	176,50	27,1	2,0
06/07/2009	141,63	05/07/2015	144,01	26,5	2,0
02/02/2009	141,91	01/02/2015	137,60	28,6	2,0
16/09/2008	131,35	15/09/2014	137,00	26,9	2,0
01/04/2008	106,44	31/03/2014	132,90	29,6	2,0
22/01/2008	130,59	21/01/2014	146,50	29,7	2,0

The interest rate yield curve was derived from the Nedbank Treasury calculation. The weighted average volatility was 26,6% and the risk-free rate ranged from 5,2% to 7,4% during the year.

The carrying amount of the liability relating to the cash-settled options at 30 September 2013 is R216,6 million (2012: R210,8 million) – refer to note 30. Cash-settled options exercised during the year amounted to R85,4 million (2012: R60,5 million).

Volatilities are based on the historical volatility of the Tiger Brands share price matching the remaining life of each option.

23.2 Black managers participation right scheme (equity settled)

In terms of the BEE transaction implemented on 17 October 2005, 4 381 831 Tiger Brands shares were acquired by the Tiger Brands Black Managers Trust. Allocations of vested rights to these shares were originally made to 435 black managers.

The allocation of vested rights entitles beneficiaries to receive Tiger Brands shares (after making capital contributions to the Black Managers Trust) at any time after the lock-in period. In respect of options allocated on or before 31 July 2010, the lock-in period ends on 31 December 2014. In respect of allocations made after 31 July 2010, the lock-in date will be the latter of 31 December 2014 or, in respect of one-third of the allocations, three years after the allocation, the next third, four years and the last third, five years after the allocation. These vested rights are non-transferable.

After the lock-in date, the beneficiaries may exercise their vested rights, in which event the beneficiary may:

- instruct trustees to sell all of their shares and distribute the proceeds to them, net of the funds required to pay the capital contributions, taxation (including employees' tax), costs and expenses;
- instruct the trustees to sell sufficient shares to fund the capital contributions, pay the taxation (including employees' tax), costs and expenses, and distribute to them the remaining shares to which they are entitled; or
- fund the capital contributions, taxation (including employees' tax) costs and expenses themselves and receive the shares to which they are entitled.

The expense recognised for employee services received during the year to 30 September 2013 is R17,0 million (2012: R16 million).

23 Share-based payment plans (continued)

23.2 Black managers participation right scheme (equity settled) (continued)

The following table illustrates the number of, and movements in, share participation rights during the year.

	2013 Number	2012 Number
Outstanding at the beginning of the year	2 853 209	2 863 720
Granted during the year	71 000	191 000
Forfeited during the year	(99 444)	(201 511)
Shares sold (death of employees)	(13 734)	–
Outstanding at the end of the year	2 811 031	2 853 209
Exercisable at the end of the year	–	–

The weighted average remaining contractual life for share options outstanding as at 30 September 2013 is 1,4 years (2012: 2,36 years).

The weighted average fair value of options granted during the year was R205,89 (2012: R169,39).

The notional exercise price of participation rights at 30 September 2013 was R90,04 per option (2012: R91,53).

No weighted average exercise price has been calculated as there were no participation rights exercised.

Participation rights were valued using the Monte-Carlo simulation approach to estimate the average, optimal payoff of the participation rights using 5 000 permutations. The payoff of each random path was based on: the projected Tiger Brands share price, outstanding debt projections and optimal early exercise conditions.

Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. Historical daily share price data was used to estimate the expected volatility.

The following inputs were used:

Date of grant	Initial strike price of participation rights (Rand)	Expiry date	Market price of the underlying stock at grant date (Rand)	Expected volatility of the stock over the remaining life of the participation right (%)	Expected dividend yield of the stock over the remaining life of the participation right (%)
01/11/2005	112,28	30/09/2027	140,00	22,0	3,6
31/01/2006	110,90	30/09/2027	159,90	25,0	3,6
31/07/2006	112,89	30/09/2027	150,00	25,0	3,6
31/01/2007	112,99	30/09/2027	172,30	30,4	3,5
31/07/2007	115,17	30/09/2027	186,70	27,8	3,5
31/01/2008	115,43	30/09/2027	151,00	27,5	4,0
31/07/2008	117,91	30/09/2027	145,00	28,1	4,2
31/01/2009	91,46	30/09/2027	140,99	28,5	4,7
31/07/2009	93,97	30/09/2027	157,00	28,7	4,4
31/12/2009	96,71	30/09/2027	171,11	28,7	4,4
31/01/2011	92,12	30/09/2027	186,00	28,2	5,3
31/07/2011	92,10	30/09/2027	203,35	28,2	5,3
31/01/2012	90,30	30/09/2027	252,01	25,7	4,4
31/07/2012	90,61	30/09/2027	266,27	24,3	4,1
31/01/2013	90,04	30/09/2027	294,50	24,0	3,4

The risk-free interest rate was obtained from constructed ZAR swap curves on the valuation dates using key inputs being South African money market rates and swap rates as published by Bloomberg.

In terms of the BEE Phase II transaction implemented on 20 October 2009, 2 835 427 Tiger Brands shares were acquired by the Black Managers Trust II and 1 813 613 shares by Brimstone Investment Corporation Limited (Brimstone).

Notes to the financial statements continued

for year ended 30 September 2013

23 Share-based payment plans (continued)

23.3 Black Managers Trust II and Brimstone participation right schemes (equity settled)

Brimstone

Brimstone is required to hold their shares via Brim Tiger SPV (Pty) Limited (previously, Business Venture Investments No 1323 (Pty) Limited) (Brimstone SPV). Brimstone and the Brimstone SPV may not sell or encumber such shares until 31 December 2017 (the end date). The IFRS 2 charge of R61,9 million relating to Brimstone has been expensed upfront.

At the end date, Tiger Brands will be entitled to repurchase a certain number of shares from Brimstone at the subscription price of R7,40. The number of shares will be calculated in terms of a repurchase formula, which inputs are:

- the total discounted value of the shares (being an amount equal to R148,07 per share) less the initial equity contribution by Brimstone, increased over the transaction term by a hurdle rate (being 85% of the prevailing prime rate);
- an amount equal to 85% of the distributions declared by Tiger Brands but not received by Brimstone SPV as a result of the condition attaching to the issue of the shares increased over the transaction term by the hurdle rate;
- the market value of a Tiger Brands ordinary share at the end date; and
- the subscription price of R7,40 per share.

Black Managers Trust II

Originally allocations of vested rights to these shares were made to a total number of 484 black managers and are non-transferable.

The effective dates of these allocations were 31 January 2010 and 31 July 2010.

With effect from 31 December 2017, the black managers may elect to take delivery of the full benefit of a portion of the shares allocated to them in accordance with their vested rights (after Tiger Brands has exercised its right to repurchase a certain number of the shares from the Black Managers Trust II at the subscription price of 10 cents per share).

The number of shares to be repurchased by Tiger Brands will be calculated in terms of a repurchase formula, the inputs of which are similar to those as disclosed under the "Brimstone" heading above, other than for the fact that 90% of any distributions declared by Tiger Brands are not received by the Black Managers Trust II (as opposed to 85% in the case of Brimstone SPV) and the subscription price is 10 cents per share (as opposed to R7,40 in the case of the Brimstone SPV).

Upon termination of the trust on 31 December 2018, the black managers shall take delivery of all benefits due to them, failing which these will be forfeited, and the Trustees shall transfer those benefits and any unallocated Tiger Brands ordinary shares, or the net proceeds thereof, to the black managers who are beneficiaries of the Black Managers Trust II at that time.

- In calculating the IFRS 2 charge, the following input parameters were utilised to determine the fair value of the rights granted to the beneficiaries of the Black Managers Trust II in terms of the BEE Phase II transaction:
  - The allocation date;
  - The maturity date of the rights;
  - The market price of the underlying equity as at the valuation date;
  - The strike price of the rights;
  - The expected volatility of the underlying equity over the life of the rights;
  - The expected dividend yield on the underlying equity over the life of the rights;
  - The risk-free interest rates over the life of the rights; and
  - The prime interest rates over the life of the rights.

23 Share-based payment plans (continued)

23.3 Black Managers Trust II and Brimstone participation right schemes (equity settled) (continued)

Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. Historical daily share price data was used to estimate the expected volatility.

Participation rights were valued using the Monte-Carlo simulation approach with the "market variable" being the Tiger Brands share price.

The path-dependency of the option results from the relationship between the Tiger Brands share price and the strike price of the option, by virtue of the impact on the strike price of dividends paid by Tiger Brands during the life of the BEE Phase II transaction.

The expense recognised for employee services received during the year to 30 September 2013 is R14,1 million (2012: R19,6 million).

The following table illustrates the number of, and movements in, share participation rights during the year.

	2013 Number	2012 Number
Outstanding at the beginning of the year	2 142 132	2 463 317
Granted during the year	117 000	–
Forfeited during the year	(144 736)	(320 312)
Shares sold (death of employees)	(4 752)	(873)
Outstanding at the end of the year	2 109 644	2 142 132
Exercisable at the end of the year	–	–

A risk-free rate was constructed using a zero-coupon ZAR swap interest rate curve as at the valuation date using a raw interpolation bootstrapping algorithm, with inputs from South African money market rates (interbank acceptance rates and Forward Rate Agreement (FRA) rates) and swap rates, as published by Bloomberg.

Notes to the financial statements continued

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012	(R'million)		GROUP 2013	GROUP 2012
		24	**Authorised share capital**		
25,0	25,0	24.1	250 000 000 (2012: 250 000 000) ordinary shares of 10 cents each	25,0	25,0
Number of shares				Number of shares	
522 400	883 830	24.2	Number of outstanding options in terms of the company's share option scheme		
–	217 330		At R44,33 per share, exercisable until 2 February 2013		
–	35 000		At R44,33 per share, exercisable until 30 March 2013		
334 800	378 500		At R51,29 per share, exercisable until 28 January 2014		
187 600	233 000		At R75,13 per share, exercisable until 24 January 2015		
–	10 000		At R85,10 per share, exercisable until 30 June 2015		
–	10 000		At R99,24 per share, exercisable until 31 August 2015		
53 926 059	53 926 059	24.3	Unissued shares	53 926 059	53 926 059
4 004 073	3 994 073	24.4	Number of shares under the control of the directors for purposes of the Tiger Brands (1985) Share Purchase Scheme and the Tiger Brands (1985) Share Option Scheme.	4 004 073	3 994 073

		COMPANY			
		Number of shares under option		Options exercised during 2013	
		2013	2012	Number of shares	Gain in R'000
24.5	Executive directors' options over shares in Tiger Brands Limited				
	CFH Vaux	23 000	42 000	19 000	4 688
	At R51,29 per share, exercisable until 28 January 2014	–	19 000	19 000	4 688
	At R75,13 per share, exercisable until 24 January 2015	23 000	23 000	–	–
	Totals for Tiger Brands Limited	23 000	42 000	19 000	4 688

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		25	**Issued ordinary share capital and premium**		
		25.1	Share capital		
19,2	19,1		Issued share capital 191 547 468 (2012: 191 196 038) ordinary shares of 10 cents each	19,2	19,1
		25.2	Share premium		
75,4	50,6		Balance at the beginning of the year	75,4	50,6
22,7	24,8		Issues of shares	22,7	24,8
98,1	75,4			98,1	75,4
117,3	94,5			117,3	94,5
			The increase in ordinary shares issued is due to share options exercised.		
		26	**Tax effect of other comprehensive income**		
			The tax effect of the items reflected in the statement of comprehensive income is as follows:		
			Net loss on hedge of net investment in foreign operations	11,3	1,4
			Foreign currency translation adjustments	15,7	1,7
			Net loss on available-for-sale financial assets	(2,5)	(2,5)
				24,5	0,6

27 Tiger Brands Limited shares held by subsidiary and empowerment entities

27.1 Tiger Brands Limited shares held by subsidiary

10 326 758 (2012: 10 326 758) shares are held as treasury stock.

27.2 Tiger Brands Limited shares held by empowerment entities

21 351 327 (2012: 21 370 813) shares are owned by empowerment entities.

On 19 September 2005, shareholders approved a scheme of arrangement (section 311 of the Companies Act No 61 of 1973) in terms of which Tiger Brands would facilitate the acquisition of a 4% direct ownership interest in its issued ordinary share capital by a broad base of staff employed within the group. The court order sanctioning the scheme was registered by the Registrar of Companies on 29 September 2005, being the effective date of acquisition of the scheme shares.

The total value of the staff empowerment transaction was R723,5 million, based on the closing price of the company's shares on the JSE Limited on 13 July 2005 of R112 per share. The transaction was implemented on 17 October 2005 through a number of trusts and a special purpose vehicle. The acquisition of 5 896 140 Tiger Brands shares by the Black Managers Trust and Thusani Empowerment Investment Holdings (Pty) Limited in terms of the scheme, at an aggregate cost of R649,5 million was shown as a deduction from equity in the group statement of financial position. This reduced to R502,2 million in 2008 as a result of the Adcock Ingram unbundling. As from 2008 such shares in Adcock Ingram are reflected as listed investments classified as available for sale.

The cost of the Tiger Brands shares acquired by the General Staff Trust (547 733 shares), together with the total expenses of the BEE transaction, was reflected as an abnormal item of R69,4 million in the group income statement in 2005.

Notes to the financial statements continued

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		28	**Deferred taxation liability**		
		28.1	**Movement of deferred taxation liability**		
0,9	0,7		Balance at the beginning of the year	621,3	648,3
–	–		Net reallocation between deferred taxation asset and deferred taxation liability	–	3,4
0,9	0,7		Adjusted balance at the beginning of the year	621,3	651,7
			Business combinations	214,0	–
			Fair value adjustments – investments	2,5	0,4
			Transfer to assets held-for-sale	(8,3)	–
			Adjustment in respect of increase in capital gains tax rate taken directly to non-distributable reserve	–	2,2
			Exchange rate translation reserve	31,2	1,5
2,2	0,2		Income statement movement	(3,2)	(34,5)
2,2	0,2		Current year temporary differences	(3,2)	(34,5)
3,1	0,9		Balance at the end of the year	857,5	621,3
(9,4)	(1,9)		*Less*: Deferred tax asset per note 19.1	(596,9)	(371,2)
(6,3)	(1,0)		Net deferred tax liability/(asset)	260,6	250,1
			Disclosed on the statement of financial position as follows:		
(6,3)	(1,0)		Deferred tax asset	(138,2)	(43,9)
–	–		Deferred tax liability	398,8	294,0
(6,3)	(1,0)		Net deferred tax liability/(asset)	260,6	250,1
		28.2	**Analysis of deferred taxation liability**		
			Fair value adjustments – investments	14,3	11,9
			Property, plant and equipment	547,5	337,3
			Liability in respect of intangibles raised on acquisition of businesses	211,9	177,9
			Prepayments	6,6	6,1
			Retirement fund surpluses	37,2	54,0
3,1	0,9		Revaluation of loans	0,6	0,9
			Other temporary differences	39,4	33,2
3,1	0,9			857,5	621,3
		29	**Trade and other payables**		
			Trade payables	1 628,2	1 489,4
37,2	50,8		Accruals and other payables	2 355,1	1 763,6
			Defined benefit pension fund liability – refer note 34	4,3	3,6
37,2	50,8			3 987,6	3 256,6

Trade payables are non-interest-bearing and are normally settled on 45-day terms.

Accruals and other payables are non-interest-bearing and have an average term of 60 days.

(R'million)	GROUP Leave pay	GROUP Other	GROUP Total
30 Provisions			
2013			
Balance at the beginning of the year	279,2	236,2	515,4
Movement during the year	15,4	30,2	45,6
Balance at the end of the year	294,6	266,4	561,0
Analysed as follows:			
Provision for leave pay	294,6	–	294,6
Provision for cash-settled share-based payments (refer to note 23.1)	–	216,6	216,6
Other	–	49,8	49,8
	294,6	266,4	561,0
2012			
Balance at the beginning of the year	269,3	166,0	435,3
Movement during the year	9,9	70,2	80,1
Balance at the end of the year	279,2	236,2	515,4
Analysed as follows:			
Provision for leave pay	279,2	–	279,2
Provision for cash-settled share-based payments (refer to note 23.1)	–	210,8	210,8
Other	–	25,4	25,4
	279,2	236,2	515,4

Leave pay is provided on accumulated leave balances at year end based on employees' cost to company.

Notes to the financial statements continued

for year ended 30 September 2013

COMPANY 2013	COMPANY 2012		(R'million)	GROUP 2013	GROUP 2012
		31	**Borrowings**		
193,6	155,1	31.1	Secured loans	1 314,4	403,0
			Loan bearing interest at 4,0% per annum, repayable by 2016 (denominated in euro)	7,6	8,0
193,6	155,1		Loan bearing interest at 6,8% per annum, repayable by 2018 (denominated in CAF franc)*	193,6	155,1
			Loan bearing interest at 12,0% (2012: 22,0%) per annum, repayable by 2017 (denominated in Kenyan shillings)	29,5	25,4
			Loan bearing interest at 8,41% per annum, repayable by 2016	157,0	188,9
			Loan bearing interest at 7,0% per annum, repayable by 2018 (denominated in Nigerian naira)	18,9	19,8
			Loan bearing interest at 18,0% per annum, repayable by 2014 (denominated in Nigerian naira)	–	4,4
			Loan bearing interest at 0% per annum, repayable by 2056 (denominated in Ethiopian birr)	1,6	1,4
			Loan bearing interest at 14,8% per annum, repayable by 2016 (denominated in Nigerian naira)	247,8	–
			Loan bearing interest at 15,0% per annum, repayable by 2016 (denominated in Nigerian naira)	422,0	–
			Loan bearing interest at 15,0% per annum, repayable by 2017 (denominated in Nigerian naira)	236,4	–
			Repayment terms were renegotiated to 2018.		
			Analysis of secured loans by nature of security:		
193,6	155,1		Pledge of shares (Chocolaterie Confiserie Camerounaise, note 36)	193,6	155,1
			Property, plant and equipment	963,8	59,0
			Put option against Tiger Brands	157,0	188,9
193,6	155,1			1 314,4	403,0
			Refer also to notes 11.5 and 36 for details of security.		
		31.2	Unsecured loans	1 050,1	35,3
			Loan bearing interest at 11,1% (2012: 16,7%) per annum, repayable by 2016 (denominated in Kenyan shillings)	34,5	35,3
			Loan bearing interest at 8,0% per annum, repayable by 2014 (denominated in Nigerian naira)	15,6	–
			Loan bearing interest at 6,0% per annum, repayable by 2015	1 000,0	–
		31.3	Capitalised finance leases	11,6	8,4
			Repayment during the next year	4,9	2,0
			Repayments later than one year and no later that five years, refer note 33.4.	6,7	6,4
			Liabilities under capitalised finance leases bear interest at 7,5% – 9,0% per annum.		
			Capitalised finance leases relate to plant and equipment with a book value of R14,5 million (2012: R8,9 million) as per note 11.4 of these annual financial statements.		
193,6	155,1			2 376,1	446,7

COMPANY 2013	COMPANY 2012	(R'million)	GROUP 2013	GROUP 2012
		31 Borrowings (continued)		
		31.4 Instalments disclosed as:		
33,0	155,1	Short-term borrowings	923,4	211,7
160,6	–	Long-term borrowings	1 452,7	235,0
193,6	155,1		2 376,1	446,7

(R'million)	SA Rand	Euro	Nigerian naira	Ethiopian birr	Kenyan shilling	CAF franc	Group total
31.5 Summary of borrowings by currency and year of repayment							
During 2014	542,9	2,6	325,9	–	18,9	33,1	923,4
During 2015	547,2	2,5	323,8	–	19,7	35,5	928,7
During 2016	75,8	2,5	254,3	0,1	23,9	38,5	395,1
During 2017	2,1	–	35,6	0,1	1,5	41,6	80,9
During 2018 and thereafter	0,6	–	1,1	1,4	–	44,9	48,0
	1 168,6	7,6	940,7	1,6	64,0	193,6	2 376,1

COMPANY 2013	COMPANY 2012	(R'million)	GROUP 2013	GROUP 2012
33,7	155,5	**31.6 Short-term borrowings**	3 650,2	1 317,8
0,7	0,4	Bank overdrafts	2 726,8	1 106,1
33,0	155,1	Current portion of long-term loans	923,4	211,7
		32 Group borrowings		
		In terms of the company's articles of association the group's borrowings are unlimited.		
		33 Group commitments		
		33.1 Approved capital expenditure, which will be financed from the group's own resources, is as follows:		
		Contracted	372,2	104,5
		Not contracted	408,1	316,3
			780,3	420,8

33.2 Commitments of R766,5 million will be expended in 2014 and the remaining commitments will be expended from 2015 to 2017.

The capital commitments noted above include various capital efficiency and expansion projects.

Notes to the financial statements continued

for year ended 30 September 2013

33 Group commitments (continued)

33.3 Commitments in respect of operating leases

(R'million)	Land and buildings	Motor vehicles	Property, plant and equipment	Other	Total commit-ments
2013					
During 2014	54,9	32,5	22,6	0,1	110,1
During 2015	47,0	22,3	21,1	0,1	90,5
During 2016	24,4	14,9	0,2	–	39,5
During 2017	12,1	7,4	–	–	19,5
During 2018 and thereafter	4,4	5,5	–	–	9,9
	142,8	82,6	43,9	0,2	269,5
2012					
During 2013	31,1	36,1	21,9	0,5	89,6
During 2014	14,8	26,4	20,8	0,1	62,1
During 2015	13,4	17,7	18,6	0,1	49,8
During 2016	13,1	10,9	0,5	–	24,5
During 2017 and thereafter	8,0	6,7	0,2	–	14,9
	80,4	97,8	62,0	0,7	240,9

With the exception of the lease described below, operating leases are generally three to six years in duration, without purchase options and in certain instances have escalation clauses of between 7,0% and 10% or are linked to the prime rate of interest or Consumer Price Index (CPI). Other contingent rentals are generally not applicable.

One lease, relating to fruit processing equipment, has a remaining contract period of three years, contingent rental linked to tons of fruit processed and escalates based on the American consumer price index. Contingent rental paid amounts to R4,5 million (2012: R4,3 million).

33.4 Commitments in respect of finance leases

The group has finance leases for various items of plant and machinery. These leases have terms of renewal with a purchase option and are linked to the prime interest rate. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	GROUP			
	2013		2012	
(R'million)	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	5,4	4,9	2,5	2,0
After one year but not more than five years	8,0	6,7	6,5	6,4
Total minimum lease payments	13,4	11,6	9,0	8,4
Less: Amounts representing finance charges	(1,8)	–	(0,6)	–
Total	11,6	11,6	8,4	8,4

Please refer to note 31.3 for further details.

33 Group commitments (continued)

33.5 Commitments in respect of inventories

In terms of its normal business practice certain group operations have entered into commitments to purchase certain agricultural inputs over their respective seasons.

33.6 Commitments in respect of transport

The group maintains long-term contracts, including certain minimum payments, with various transport companies for the distribution of its products.

34 Pension obligations

The company and its subsidiaries contribute to retirement plans that cover all employees. The retirement plans are either defined benefit plans or defined contribution plans and are funded. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act of 1956 (Act 24), as amended. In terms of the Pension Funds Act, certain of the retirement funds are exempt from actuarial valuation. Those funds not exempt from valuation must, in terms of the Pension Funds Act, be valued at least every three years. For purposes of these disclosures, and in order to comply with the requirements of IAS 19, valuations have been performed by independent actuaries, using the projected unit credit method. Where valuations were not possible due to the limited availability of complete data, roll-forward projections of prior completed actuarial valuations were used, taking account of actual subsequent experience.

Within the company's group of subsidiaries, there are a total of 22 retirement plans, three of which are defined benefit pension funds, five are defined contribution pension funds, two are defined benefit provident funds and eight are defined contribution provident funds. There are a further four schemes of insurance into which the company and its subsidiaries contribute. Certain companies within the group sponsor external death, funeral and disability benefit insurance policies. These insurance costs have been allowed for in the disclosures provided. All of the funds above are funded with one exception.

The actual return on plan assets for the period 1 October 2012 to 30 September 2013 was R39,4 million (2012: R43,4 million). This compares with the expected return for the same period of R32,9 million (2012: R28,5 million).

The value of contributions expected to be paid by group companies for the year ending 30 September 2014 amounts to R196,2 million (2013 actual: R181,3 million).

As at 30 September 2013, there were no properties occupied by, or other assets used by, group companies which formed part of the fair value of plan assets (2012: Rnil).

As at 30 September 2013, the percentage of the fair value of plan assets in respect of defined benefit arrangements invested in Tiger Brands Limited shares amounted to 0% (2012: 0%).

Notes to the financial statements continued

for year ended 30 September 2013

(%)	GROUP 2013	GROUP 2012
34 Pension obligations (continued)		
Major categories of plan assets in respect of defined benefit arrangements as at 30 September:	%	%
Equities	3,9	34,6
Bonds	19,7	6,8
Cash	74,1	56,5
Property	0,3	0,3
International	1,8	1,5
Other	0,2	0,3
	100,0	100,0
(R'million)		
Balance at the end of the year		
Present value of defined benefit obligations	(319,5)	(350,8)
Fair value of plan assets in respect of defined benefit obligations	428,9	428,0
Funded status of defined benefit plans	109,4	77,2
Unrecognised actuarial losses	(22,9)	3,1
Asset not recognised at reporting date	–	–
Asset at reporting date	86,5	80,3

The disclosure of the funded status is for accounting purposes only, and does not necessarily indicate any assets available to the company or its subsidiaries. Once a surplus apportionment exercise is completed, and approved by the Registrar of Pension Funds in terms of the provisions of the Pension Funds Second Amendment Act, 2001, only at that stage would it be appropriate for the company or its subsidiaries to recognise any assets in respect of the retirement funds, to the extent that such assets are apportioned. The surplus apportionment schemes for the Tiger Brands Defined Benefit Pension Fund and the Beacon Products Staff Pension Fund were approved by the Registrar in 2008. The surplus apportionment scheme for the ICS Pension Fund was approved in 2011. Where appropriate, surplus apportioned to the company has been recognised on the statement of financial position. This legislation is not applicable to arrangements not registered in terms of the Pension Funds Act, such as special-purpose entities established for purposes of providing disability benefits.

(R'million)	GROUP 2013	GROUP 2012
Movement in the net asset/(liability) recognised in the statement of financial position		
Balance at the beginning of the year	80,3	79,0
Contributions paid	181,3	164,4
Other movements (net expense in the income statement)	(175,1)	(163,1)
Interest cost	(28,1)	(27,9)
Current service cost	(180,3)	(163,1)
Expected return on plan assets	32,9	28,5
Net actuarial gains/(losses) recognised during the year	–	0,2
Recognised due to paragraph 58A	–	(1,2)
Change in asset not recognised due to paragraph 58A	0,4	0,4
Balance at the end of the year	86,5	80,3
The net asset is included in the statement of financial position as follows:		
Investments – refer note 17	43,0	41,3
Other receivables – refer note 21.1	47,8	42,6
Other payables – refer note 29	(4,3)	(3,6)
	86,5	80,3

(%)	GROUP 2013	GROUP 2012
34 Pension obligations (continued)		
Actuarial assumptions		
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	%	%
▸ Tiger Brands Defined Benefit Pension Fund	Full yield curve	8,25
▸ Tiger Oats Benefit Foundation	9,90	8,25
▸ Nestlé Pension Fund	9,90	8,25
▸ ICS Pension Fund	9,90	8,25
Future salary increases	7,90	6,75
Post-retirement discount rate		
▸ Tiger Brands Defined Benefit Pension Fund	3,00	3,50
▸ Nestlé Pension Fund	4,15	3,83
Future pension increases		
▸ Nestlé Pension Fund	5,52	4,60
(R'million)		
Reconciliation of the defined benefit obligation:		
Defined benefit obligation at the beginning of the year	(350,8)	(329,5)
Current service cost	(3,7)	(3,0)
Member contributions	(1,4)	(1,4)
Interest cost	(28,0)	(27,9)
Actuarial loss	19,9	(9,0)
Benefits paid	44,2	19,7
Risk premiums (group life and permanent health)	0,3	0,3
Defined benefit obligation at the end of the year	(319,5)	(350,8)
Reconciliation of fair value of plan assets		
Assets at fair market value at the beginning of the year	428,0	398,9
Expected return on assets	32,9	28,5
Contributions	6,1	5,7
Risk premiums (group life and permanent health)	(0,3)	(0,3)
Benefits paid	(44,2)	(19,7)
Actuarial gain	6,4	14,9
Assets at fair market value at the end of the year	428,9	428,0
Asset balance at the end of the year	109,4	77,2

Trend information

(R'million)	30 September 2013	2012	2011	2010	2009
Present value of defined benefit obligation	(319,5)	(350,8)	(329,5)	(261,3)	(245,6)
Fair value of plan assets	428,9	428,0	398,9	389,6	376,0
Funded status	109,4	77,2	69,4	128,3	130,4
Experience (gain)/loss on liabilities	(14,8)	1,7	51,4	13,3	2,4
Experience (gain)/loss on assets	(6,5)	(14,9)	(0,6)	2,9	35,5

Notes to the financial statements continued

for year ended 30 September 2013

35 Post-retirement medical aid obligations

The company and its subsidiaries operate post-employment medical benefit schemes that cover certain of their employees and retirees. This practice has since been stopped for new employees. The liabilities are valued annually using the projected unit credit method. The latest actuarial valuation was performed on 30 September 2013.

(R'million)	GROUP 2013	GROUP 2012
Balance at the end of the year		
Present value of obligations	(580,9)	(584,4)
Unrecognised actuarial losses	148,3	177,6
Liability at reporting date	(432,6)	(406,8)
Movement in the liability recognised in the statement of financial position:		
Balance at the beginning of the year	(406,8)	(376,5)
Contributions paid	34,2	32,8
Other expenses included in staff costs	(60,0)	(63,1)
Current service cost	(3,1)	(2,9)
Interest cost	(45,3)	(46,1)
Actuarial losses recognised	(11,6)	(14,1)
Balance at the end of the year	(432,6)	(406,8)
Current portion	(36,2)	(33,0)
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	9,00%	8,00%
Medical inflation	7,80%	7,00%
Future salary increases	7,80%	7,00%
Post-retirement mortality tables	PA(90) ultimate rated down 2 years plus 1% improvement pa from 2006	PA(90) ultimate rated down 2 years plus 1% improvement pa from 2006

The employer's estimate of contributions expected to be paid for the 2014 financial year is R36,2 million (2013: R33,0 million).

35.1 Sensitivity analysis

2013	Base case	Healthcare cost inflation	
Key assumption	7,80%	(1,0%)	1,0%
Accrued liability 30 September 2013			
(R'million)	580,9	522,6	651,0
% change		(10,0)	12,1
Current service cost plus interest cost 2013/2014			
(R'million)	53,4	47,6	60,3
% change		(10,8)	13,0

35 Post-retirement medical aid obligations (continued)

35.1 Sensitivity analysis

2012	Base case	Healthcare cost inflation	
Key assumption	7,0%	(1,0%)	1,0%
Accrued liability 30 September 2012			
(R'million)	584,4	523,3	658,4
% change		(10,5)	12,7
Current service cost plus interest cost 2012/2013			
(R'million)	48,5	43,0	55,1
% change		(11,3)	13,8

2013	Base case	Discount rate	
Key assumption	9,0%	(1,0%)	1,0%
Present value of obligations 30 September 2013			
(R'million)	580,9	654,3	521,0
% change		12,6	(10,3)
2012			
Key assumption	8,0%	(1,0%)	1,0%
Present value of obligations 30 September 2012			
(R'million)	584,4	662,0	521,4
% change		13,3	(10,8)

2013	Base case	Expected retirement age	
Key assumption	60/63/65 years	1 year younger	1 year older
Present value of obligations 30 September 2013			
(R'million)	580,9	584,7	576,8
% change		0,7	(0,7)
2012			
Key assumption	60/63/65 years	1 year younger	1 year older
Present value of obligations 30 September 2012			
(R'million)	584,4	587,6	580,2
% change		0,5	(0,7)

Trend information	30 September				
(R'million)	2013	2012	2011	2010	2009
Present value of obligations	(580,9)	(584,4)	(544,3)	(499,3)	(467,8)
Present value of obligations in excess of plan assets	(580,9)	(584,4)	(544,3)	(499,3)	(467,8)
Experience adjustments	(2,2)	(9,8)	1,6	17,4	61,3
Actuarial (gains)/losses before changes in assumptions:					
In respect of present value of obligations	(2,2)	(9,8)	1,6	17,4	61,3

Notes to the financial statements continued

for year ended 30 September 2013

(R'million)	GROUP 2013	GROUP 2012
36 Guarantees and contingent liabilities		
Guarantees and contingent liabilities	78,8	18,7

Guarantees exist against the group for third party obligations of R78,8 million at 30 September 2013 (2012: R18,7 million).

COMPANY

Guarantees exist against the company for the obligations of certain subsidiaries amounting to R63,0 million at 30 September 2013 (2012: R120 million).

Shares in Chocolaterie Confiserie Camerounaise Sa (Chococam), acquired on 1 August 2008 have been pledged as security for the foreign loan utilised to acquire the subsidiary.

Refer to note 31.1.

37 Financial instruments

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising principally as a result of commodity price, currency and interest rate fluctuations. The use of derivatives for the hedging of firm commitments against commodity price, foreign currency and interest rate exposures is permitted in accordance with group policies, which have been approved by the board of directors. Where significant finance is taken out, this is approved at board meetings.

The foreign exchange contracts outstanding at year end are marked to market at closing spot rate.

The group finances its operations through a combination of retained surpluses, bank borrowings and long-term loans.

The group borrows short-term funds with fixed or floating rates of interest through the subsidiary company, Tiger Consumer Brands Limited.

The main risks arising from the group's financial instruments are, in order of priority, procurement risk, foreign currency risk, interest rate risk, liquidity risk and credit risk as detailed below.

37.1 Procurement risk (commodity price risk)

Commodity price risk arises from the group being subject to raw material price fluctuations caused by supply conditions, weather, economic conditions and other factors. The strategic raw materials acquired by the group include wheat, maize, rice, oats and sorghum.

The group uses commodity futures and options contracts or other derivative instruments to reduce the volatility of commodity input prices of strategic raw materials. These derivative contracts are only taken out to match an underlying physical requirement for the raw material. The group does not write naked derivative contracts.

The group has developed a comprehensive risk management process to facilitate, control and to monitor these risks. The procurement of raw materials takes place in terms of specific mandates given by the executive management. Position statements are prepared on a monthly basis and these are monitored by management and compared to the mandates.

The board has approved and monitors this risk management process, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures.

37 Financial instruments (continued)

37.1 Procurement risk (commodity price risk) (continued)

At year end the exposure to derivative contracts relating to strategic raw materials is as follows:

	GROUP Derivative contracts expiring within 0 – 3 months	
(R'million)	Unrealised (profit)/loss at 30 September	Hedged value
2013		
Maize and wheat		
Futures	(2,0)	78,1
2012		
Maize and wheat		
Futures	1,5	74,6

Commodity price sensitivity analysis

The following table details the group's and company's sensitivity to a 10% increase and decrease in the price of wheat, rice, maize and sorghum.

The 10% stringency is the sensitivity rate used when reporting the commodity price risk internally to key management personnel and represents management's assessment of the possible change in the relevant commodity prices.

The sensitivity analysis includes only material outstanding, unmatured derivative instruments and adjusts their mark-to-market price at the reporting date for a 10% change in their prices. A positive/(negative) number indicates an increase/(decrease) in profit or loss where the respective price changes against the relevant forward position.

	GROUP Profit or (loss) after tax	
(R'million)	2013	2012
Milling and Baking + 10%	(188,6)	(39,7)
Milling and Baking – 10%	188,6	39,7
Other grains + 10%	(107,9)	(87,8)
Other grains – 10%	107,9	87,8
Other + 10%*	(30,6)	(14,2)
Other – 10%*	30,6	14,2
Total + 10%	(327,1)	(141,7)
Total – 10%	327,1	141,7

**Other includes, tomato paste, sugar, pork, soya and sundry other items.*

Commodity price sensitivity is not applicable to the company.

Notes to the financial statements continued

for year ended 30 September 2013

37 Financial instruments (continued)

37.2 Foreign currency risk

The group enters into various types of foreign exchange contracts as part of the management of its foreign exchange exposures arising from its current and anticipated business activities.

As the group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. Exchange rate exposures on transactions are managed within approved policy parameters utilising forward exchange contracts or other derivative financial instruments in conjunction with external consultants who provide financial services to group companies as well as contributing to the management of the financial risks relating to the group's operations.

The group does not hold foreign exchange contracts in respect of foreign borrowings, as its intention is to repay these from its foreign income stream or subsequent divestment of its interest in the operation. Foreign exchange differences relating to investments, net of their related borrowings, are reported as translation differences in the group's net other comprehensive income until the disposal of the net investment, at which time exchange differences are recognised as income or expense.

Forward exchange contracts are mainly entered into to cover net import exposures, after setting off anticipated export proceeds on an individual currency basis. The fair value is determined using the applicable foreign exchange spot rates at 30 September 2013.

The exposure and concentration of foreign currency risk is included in the table below.

(R'million)	South African rand	US dollar	Pound sterling	Euro	Other*	Total
GROUP						
2013						
Financial assets						
Accounts receivable	2 968,8	247,2	17,7	32,7	912,0	4 178,4
Cash and cash equivalents	230,0	81,8	6,0	41,3	273,8	632,9
Financial liabilities						
Borrowings**	(3 099,8)	(21,8)	–	–	(1 981,3)	(5 102,9)
Accounts payable	(3 237,5)	(64,6)	(12,1)	(61,7)	(1 167,9)	(4 543,8)
2012						
Financial assets						
Accounts receivable	3 085,0	375,2	11,8	23,9	259,2	3 755,1
Cash and cash equivalents	72,5	70,7	70,5	44,2	113,2	371,1
Financial liabilities						
Borrowings**	(1 275,5)	(12,3)	–	–	(265,0)	(1 552,8)
Accounts payable	(3 202,4)	(255,3)	(35,7)	(16,6)	(255,8)	(3 765,8)

*Other includes the Australian dollar, Canadian dollar, Japanese yen, Nigerian naira, New Zealand dollar, Cameroon franc and Kenyan shilling.

**In 2013 R193,6 million (2012: R155,1 million) is held by the company.

37 Financial instruments (continued)

37.2 Foreign currency risk (continued)

The following spot rates were used to translate financial instruments denominated in foreign currency:

	Assets	Liabilities	Average
2013			
US dollar	10,05	10,05	10,05
Pound sterling	16,22	16,23	16,23
Euro	13,59	13,61	13,60
2012			
US dollar	8,27	8,31	8,29
Pound sterling	13,34	13,42	13,38
Euro	10,66	10,71	10,69

Forward exchange contracts outstanding at the reporting date all fall due within 12 months. A summary of forward exchange contract positions bought to settle group foreign liabilities and sold to settle group foreign assets is shown below.

	Foreign currency (in millions)	Average rate	Rand (in millions)
GROUP			
2013			
Foreign currency sold			
US dollar	8,6	10,1047	86,9
Pound sterling	–	16,2536	0,6
Euro	0,4	12,5000	5,0
Other currencies			6,3
Foreign currency purchased			
US dollar	42,1	10,0855	424,6
Pound sterling	0,9	16,5556	14,9
Euro	8,5	13,7529	116,9
Other currencies*			19,0

**In 2012 R1 591,6 million held by the company related to the Nigerian naira hedge for the acquisition of Dangote Flour Mills.*

	Foreign currency (in millions)	Average rate	Rand (in millions)
GROUP			
Unhedged foreign currency monetary assets			
US dollar	15,7	7,6624	120,3
Pound sterling	1,5	15,6667	23,5
Euro	4,9	11,5510	56,6
Other currencies			14,6
Unhedged foreign currency monetary liabilities			
US dollar	0,9	9,5556	8,6
Pound sterling	–	16,2255	0,3
Euro	0,1	16,0000	1,6
Other currencies			0,6

Notes to the financial statements continued

for year ended 30 September 2013

37 Financial instruments (continued)

37.2 Foreign currency risk (continued)

	Foreign currency (in millions)	Average rate	Rand (in millions)
GROUP			
2012			
Foreign currency sold			
US dollar	3,9	8,2308	32,1
Pound sterling	0,6	14,1667	8,5
Euro	1,6	10,5000	16,8
Other currencies			10,3
Foreign currency purchased			
US dollar	36,8	8,3125	305,9
Pound sterling	2,9	13,4828	39,1
Euro	3,5	10,8266	37,9
Other currencies			1 605,5
GROUP			
Unhedged foreign currency monetary assets			
US dollar	9,2	8,2712	76,1
Pound sterling	1,1	13,6364	15,0
Euro	3,0	10,8000	32,4
Other currencies			22,2
Unhedged foreign currency monetary liabilities			
US dollar	0,8	7,7500	6,2
Other currencies			2,4

37 Financial instruments (continued)

37.2 Foreign currency risk (continued)

Cash flow hedges

At 30 September 2013, the group had foreign exchange contracts outstanding designated as hedges of future purchases from suppliers outside South Africa for which the group has firm commitments or highly likely forecast transactions.

A summary of these contracts are:

	Foreign currency (in millions)	Average rate	Rand (in millions)
GROUP			
2013			
Foreign currency bought			
US dollar	25,1	9,9124	248,8
Euro	7,8	13,2692	103,5
Pound sterling	0,7	16,1429	11,3
Other currencies*			18,2
2012			
Foreign currency bought			
US dollar	23,8	8,3361	198,4
Euro	2,0	10,6000	21,2
Pound sterling	2,8	13,5357	37,9
Other currencies			1 513,5

**In 2012 R1 512,8 million held by the company related to the naira hedge for the acquisition of Dangote Flour Mills.*

The terms of the forward currency contracts have been negotiated to match the terms of the commitments.

The cash flow hedge of expected future purchases was assessed to be effective and an unrealised profit of R16,2 million (2012: profit of R78,2 million) relating to the hedging instrument included in other comprehensive income.

Timing of cash flows relating to foreign currency is as follows:

Foreign currency (in millions)	GROUP 1 – 6 months	GROUP 7 – 12 months
US dollar	25,1	0,1
Euro	7,6	0,2
Pound sterling	0,7	–
Australian dollar	1,9	–
Japanese yen	–	–
Nigerian naira	–	–

These are expected to affect the income statement in the following year.

During the year R80,4 million (2012: R7,0 million) was added to other comprehensive income and included in the cost or carrying amount of the non-financial asset or liability (highly probable forecast transactions).

There are no forecast transactions for which hedge accounting was previously used but is no longer expected to occur.

There are no ineffective hedges to be recognised in profit or loss.

Notes to the financial statements continued

for year ended 30 September 2013

37 Financial instruments (continued)

37.2 Foreign currency risk (continued)

Foreign currency sensitivity

The following table details the group's and company's sensitivity to a 10% weakening/strengthening in the ZAR against the respective foreign currencies.

The sensitivity analysis includes only material outstanding foreign currency-denominated monetary items as detailed in the table on the previous page and adjusts their translation at the reporting date for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other comprehensive income where the ZAR weakens against the relevant currency.

(R'million)	Profit or (loss) after tax		Other comprehensive income	
	2013	2012	2013	2012
GROUP				
USD + 10%	(58,2)	53,1	(117,1)	(108,4)
USD – 10%	58,2	(53,1)	117,1	108,4
EUR + 10%	9,2	(14,4)	0,4	(0,1)
EUR – 10%	(9,2)	14,4	(0,4)	0,1
Pound sterling + 10%	1,0	(2,7)	–	–
Pound sterling – 10%	(1,0)	2,7	–	–
Other + 10%	10,1	8,7	3,4	(1,8)
Other – 10%	(10,1)	(8,7)	(3,4)	1,8
Total + 10%	(37,9)	44,7	(113,3)	(110,3)
Total – 10%	37,9	(44,7)	113,3	110,3
COMPANY				
USD + 10%	8,0	18,9	–	–
USD – 10%	(8,0)	(18,9)	–	–
Other + 10%	11,0	10,6	–	–
Other – 10%	(11,0)	(10,6)	–	–
Total + 10%	19,0	29,5	–	–
Total – 10%	(19,0)	(29,5)	–	–

37 Financial instruments (continued)

37.3 Interest rate risk management

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations.

Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits as well as bank borrowings. At the reporting date, the group cash deposits were accessible immediately or had maturity dates up to six months.

The interest rates earned on these deposits closely approximate the market rates prevailing.

(R'million)	Fixed rate	Floating rate	Total	Average interest rate for the year (%)
GROUP				
The interest rate profile of the group's borrowings at 30 September 2013 and 30 September 2012 is reflected in note 31.				
2013				
Local currency denominated loans				
Loan repayable by 2015 (secured)	157,0		157,0	8,4
Loan repayable by 2015 (unsecured)	1 000,0		1 000,0	6,0
Other loans and capitalised finance leases (secured and unsecured)		11,6	11,6	8,0
	1 157,0	11,6	1 168,6	
Foreign currency denominated loans				
Loan repayable by 2013 (secured)*		193,6	193,6	6,8
Loan repayable by 2014 (secured)		–	–	18,0
Loan repayable by 2014 (unsecured)		15,6	15,6	8,0
Loan repayable by 2016 (secured)		7,6	7,6	4,0
Loan repayable by 2016 (secured)		29,5	29,5	12,0
Loan repayable by 2016 (secured)		247,8	247,8	14,8
Loan repayable by 2016 (secured)		422,0	422,0	15,0
Loan repayable by 2016 (unsecured)		34,5	34,5	11,1
Loan repayable by 2017 (secured)		236,4	236,4	15,0
Loan repayable by 2018 (secured)		18,9	18,9	7,0
Loan repayable by 2056 (secured)		1,6	1,6	–
		1 207,5	1 207,5	
Total	1 157,0	1 219,1	2 376,1	

**Loans at a company level.*

Notes to the financial statements continued

for year ended 30 September 2013

37 Financial instruments (continued)

37.3 Interest rate risk management (continued)

(R'million)	Fixed rate	Floating rate	Total	Average interest rate for the year (%)
2012				
Local currency denominated loans				
Loan repayable by 2015 (secured)	188,9		188,9	8,4
Other loans and capitalised finance leases (secured and unsecured)		8,4	8,4	8,0
	188,9	8,4	197,3	
Foreign currency denominated loans				
Loan repayable by 2013 (secured)*		155,1	155,1	6,8
Loan repayable by 2014 (secured)		4,4	4,4	18,0
Loan repayable by 2016 (secured)		8,0	8,0	4,0
Loan repayable by 2016 (secured)		25,4	25,4	22,0
Loan repayable by 2016 (secured)		35,3	35,3	16,7
Loan repayable by 2018 (secured)		19,8	19,8	7,0
Loan repayable by 2056 (secured)		1,4	1,4	–
		249,4	249,4	
Total	188,9	257,8	446,7	

**Loans at a company level.*

Interest rate sensitivity

The sensitivity analysis addresses only the floating interest rate exposure emanating from the net cash position. The interest rate exposure has been calculated with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

If interest rates had increased/(decreased) by 1% and all other variables were held constant, the profit for the year ended would increase/(decrease) as detailed in the table below due to the use of the variable interest rates applicable to the long-term borrowings and short-term borrowings. The fixed interest rate on the borrowings would not affect the financial performance. Any gain or loss would be unrealised and consequently the notional impact is not presented.

COMPANY 2013	COMPANY 2012	(R'million)	GROUP 2013	GROUP 2012
		Profit or (loss) after tax		
		ZAR borrowings		
–	(1,7)	+ 1%	(32,3)	(16,4)
–	1,7	– 1%	32,3	16,4
		Foreign borrowings		
(2,1)	(1,8)	+ 1%	(2,4)	(2,2)
2,1	1,8	– 1%	2,4	2,2
		Total		
(2,1)	(3,5)	+ 1%	(34,7)	(18,6)
2,1	3,5	– 1%	34,7	18,6

37 Financial instruments (continued)

37.4 Liquidity risk management

Liquidity risk arises from the seasonal fluctuations in short-term borrowing positions. A material and sustained shortfall in cash flows could undermine investor confidence and restrict the group's ability to raise funds.

The group manages its liquidity risk by monitoring weekly cash flows and ensuring that adequate cash is available or borrowing facilities maintained. In terms of the articles of association, the group's borrowing powers are unlimited.

Other than the major loans disclosed in note 31 to these annual financial statements which are contracted with various financial institutions, the group has no significant concentration of liquidity risk with any other single counterparty.

The group's liquidity exposure is represented by the aggregate balance of financial liabilities as indicated in the categorisation table in note 37.7.

Contractual maturity for non-derivative financial liabilities

The following tables detail the group's and company's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company will be required to pay. The table includes both interest and principal cash flows. The "finance charge" column represents the possible future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial liability.

(R'million)	Carrying amount	Finance charge	0 – 6 months	7 – 12 months	1 – 5 years	> 5 years
GROUP						
2013						
Trade and other payables	2 131,8	–	2 061,4	70,4	–	–
Borrowings (long and short term)*	2 376,1	(271,8)	660,4	512,4	1 473,6	1,4
Guarantees not on the statement of financial position	–	–	78,8	–	–	–
Total	4 507,9	(271,8)	2 800,6	582,8	1 473,6	1,4
2012						
Trade and other payables	1 976,9	–	1 976,9	–	–	–
Borrowings (long and short term)*	453,4	(81,7)	62,1	202,2	269,4	1,4
Guarantees not on the statement of financial position	–	–	18,7	–	–	–
Total	2 430,3	(81,7)	2 057,7	202,2	269,4	1,4
COMPANY						
2013						
Borrowings (long and short term)	193,6	–	–	33,0	160,6	–
Intergroup loan accounts	459,8	–	–	–	459,8	–
Guarantees not on the statement of financial position	–	–	63,0	–	–	–
Total	653,4	–	63,0	33,0	620,4	–
2012						
Borrowings (long and short term)	155,1	(23,0)	15,1	163,0	–	–
Intergroup loan accounts	545,3	–	–	–	545,3	–
Guarantees not on the statement of financial position	–	–	120,0	–	–	–
Total	700,4	(23,0)	135,1	163,0	545,3	–

**Excludes bank overdrafts of R2 726,8 million (2012: R1 106,0 million) and cash of R632,9 million (2012: R371,1 million). These are repayable on demand and subject to annual review.*

Refer to notes 33.3 and 33.4 for disclosure relating to operating and finance lease commitments.

Notes to the financial statements continued

for year ended 30 September 2013

37 Financial instruments (continued)

37.5 Credit risk management

GROUP

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

The group limits its counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing. The group does not expect any counterparties to fail to meet their obligations given their high credit ratings.

Credit risk in respect of the group's customer base is controlled by the application of credit limits and credit monitoring procedures. Certain significant receivables are monitored on a daily basis. Where appropriate, credit guarantee insurance is obtained.

The group's credit exposure, in respect of its customer base, is represented by the net aggregate balance of amounts receivable. Concentrations of credit risk are disclosed in note 21.4.

Credit risk exposure at 30 September 2013 in respect of guarantees amounted to R78,8 million (2012: R18,7 million). Refer to note 36.

COMPANY

Credit risk exposure at 30 September 2013 relating to guarantees amounted to R63,0 million (2012: R120,0 million). Refer to note 36.

37.6 Capital management

The primary objective of the company and group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company and group manage its capital structure, calculated as equity plus net debt, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company and group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or increase or decrease levels of debt. No changes were made in the objectives, policies or processes during the years ended 30 September 2013 and 30 September 2012.

The company and group monitor capital using a gearing ratio, which is net debt divided by total equity. The group targets a long-term gearing ratio of 30% to 40%, except when major investments are made where this target may be exceeded.

(R'million)	GROUP 2013	GROUP 2012
Cash and cash equivalents	(632,9)	(371,1)
Long-term borrowings	1 452,7	235,0
Short-term borrowings	3 650,2	1 317,8
Net debt	4 470,0	1 181,7
Total equity	13 906,5	11 695,5
Total capital	18 376,5	12 877,2
Net debt to equity (%)	32,1	10,1

(R'million)	COMPANY 2013	COMPANY 2012
Cash and cash equivalents	(64,8)	(391,6)
Long-term borrowings	160,6	–
Short-term borrowings	33,7	155,5
Net (cash)/debt	129,5	(236,1)
Total equity	10 155,3	8 684,9
Total capital	10 284,8	8 448,8
Net debt/(cash) to equity (%)	1,3	(2,7)

37 Financial instruments (continued)

37.7 Categorisation of financial assets and liabilities

(R'million)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial instruments at fair value through profit or loss	Non-financial items	Total book value
GROUP						
2013						
Assets	–	–	–	–	19 895,5	19 895,5
Other investments	85,2	420,3	–	–	–	505,5
Loans	7,2	–	–	–	–	7,2
Trade and other receivables	3 316,8	–	–	18,7	842,9	4 178,4
Cash and cash equivalents	632,9	–	–	–	–	632,9
Total	4 042,1	420,3	–	18,7	20 738,4	25 219,5
Shareholders' equity and liabilities	–	–	–	–	(16 129,0)	(16 129,0)
Long-term borrowings	–	–	(1 452,7)	–	–	(1 452,7)
Trade and other payables	–	–	(2 131,6)	(4,7)	(1 851,3)	(3 987,6)
Short-term borrowings	–	–	(3 650,2)	–	–	(3 650,2)
Total	–	–	(7 235,5)	(4,7)	(17 980,3)	(25 219,5)
2012						
Assets	–	–	–	–	13 202,4	13 202,4
Other investments	150,4	366,8	–	–	–	517,2
Loans	7,6	–	–	–	–	7,6
Trade and other receivables	2 929,0	–	–	79,2	746,9	3 755,1
Cash and cash equivalents	371,1	–	–	–	–	371,1
Total	3 458,1	366,8	–	79,2	13 949,3	17 853,4
Shareholders' equity and liabilities	–	–	–	–	(13 044,0)	(13 044,0)
Long-term borrowings	–	–	(235,0)	–	–	(235,0)
Trade and other payables	–	–	(1 976,9)	(6,2)	(1 273,5)	(3 256,6)
Short-term borrowings	–	–	(1 317,8)	–	–	(1 317,8)
Total	–	–	(3 529,7)	(6,2)	(14 317,5)	(17 853,4)

Refer to the accounting policies for further details on the above classifications.

Notes to the financial statements continued

for year ended 30 September 2013

37 Financial instruments (continued)

37.7 Categorisation of financial assets and liabilities (continued)

(R'million)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial instruments at fair value through profit or loss	Non-financial items	Total book value
COMPANY						
2013						
Assets	653,9	–	–	–	5 324,4	5 978,3
Other investments	1 943,9	7,0	–	–	–	1 950,9
Loans	2 807,6	–	–	–	–	2 807,6
Trade and other receivables	45,0	–	–	–	–	45,0
Cash and cash equivalents	64,8	–	–	–	–	64,8
Total	5 515,2	7,0	–	–	5 324,4	10 846,6
Shareholders' equity and liabilities	–	–	(459,8)	–	(10 155,3)	(10 615,1)
Long-term borrowings	–	–	(160,6)	–	–	(160,6)
Trade and other payables	–	–	(37,2)	–	–	(37,2)
Short-term borrowings	–	–	(33,7)	–	–	(33,7)
Total	–	–	(691,3)	–	(10 155,3)	(10 846,6)
2012						
Assets	559,5	–	–	–	3 524,9	4 084,4
Other investments	1 907,7	5,5	–	–	–	1 913,2
Loans	2 945,7	–	–	–	–	2 945,7
Trade and other receivables	18,8	–	–	78,8	4,0	101,6
Cash and cash equivalents	391,6	–	–	–	–	391,6
Total	5 823,3	5,5	–	78,8	3 528,9	9 436,5
Shareholders' equity and liabilities	–	–	(545,3)	–	(8 684,9)	(9 230,2)
Long-term borrowings	–	–	–	–	–	–
Trade and other payables	–	–	(50,8)	–	–	(50,8)
Short-term borrowings	–	–	(155,5)	–	–	(155,5)
Total	–	–	(751,6)	–	(8 684,9)	(9 436,5)

Refer to the accounting policies for further details on the above classifications.

37 Financial instruments (continued)

37.8 Fair value hierarchy

Financial instruments are normally held by the group until they close out in the normal course of business. The fair values of the group's financial instruments, which principally comprise put, call and futures positions with SAFEX, forward exchange contracts and listed investments, approximate their carrying values. The maturity profile of these financial instruments fall due within 12 months. The maturity profile of the group's long-term liabilities is disclosed in note 31.1 of these annual financial statements.

There are no significant differences between carrying values and fair values of financial assets and liabilities, except for intercompany loans at a company level, which are eliminated on consolidation.

Trade and other receivables, investments and loans and trade and other payables carried on the statement of financial position approximate the fair values thereof except for amounts owed to subsidiaries where the fair value is R137,9 million (2012: R209,4 million).

Long-term and short-term borrowings are measured at amortised cost using the effective interest rate method and the carrying amounts approximate their fair value.

The group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 September, the group held the following financial instruments measured at fair value:

	2013				2012			
(R'million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
GROUP								
Assets measured at fair value								
Available-for-sale financial assets								
Other investments	411,6	8,7	–	420,3	359,7	7,1	–	366,8
Foreign exchange contracts – hedged	–	18,7	–	18,7	–	79,2	–	79,2
Liabilities measured at fair value								
Foreign exchange contracts – hedged	–	4,7	–	4,7	–	6,2	–	6,2
COMPANY								
Assets measured at fair value								
Available-for-sale financial assets								
Other investments	–	7,0	–	7,0	–	5,5	–	5,5
Foreign exchange contracts – hedged	–	–	–	–	–	78,8	–	78,8
Liabilities measured at fair value								
Foreign exchange contracts – hedged	–	–	–	–	–	–	–	–

Notes to the financial statements continued

for year ended 30 September 2013

38 Related-party disclosures

The board of directors of Tiger Brands Limited has given general declarations in terms of section 75 of the Companies Act on directors' personal financial interests. These declarations indicate that certain directors hold positions of influence in other entities which are suppliers, service providers, customers and/or competitors of Tiger Brands Limited. Transactions conducted with these director-related customers and suppliers were on an arm's-length basis.

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. For the year ended 30 September 2013, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: Rnil). This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related-party operates.

Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:

(R'million)	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Fees received from related parties
GROUP				
2013				
Related party – Associates				
Oceana Group Limited	–	–	–	–
UAC Foods	–	–	7,1	8,9
National Foods Holdings Limited	–	–	–	–
2012				
Related party – Associates				
Oceana Group Limited	–	–	–	–
UAC Foods	–	–	10,9	10,7
National Foods Holdings Limited	–	–	–	–

(R'million)	2013	2012
Other related parties		
Key management personnel*		
Short-term employee benefits	81,9	86,7
Post-employment and medical benefits	11,3	11,2
Share-based payments	68,9	66,3
Total compensation paid to key management personnel	162,1	164,2

Key management personnel comprises the top tier of the organisation and the managing executives of the individual businesses.

38 Related-party disclosures (continued)

(R'million)	Amounts owed by related parties[1]	Amounts owed to related parties[1]	Dividends received
COMPANY			
2013			
Related party – intergroup			
Subsidiaries			
Durban Confectionery Works (Pty) Limited	33,0	–	–
Tiger Consumer Brands Limited	–	67,9	1 200,0
Tiger Brands (Mauritius) Limited	–	174,0	36,0
Enterprise Foods (Pty) Limited	0,4	–	–
Langeberg Holdings Limited	702,4	–	–
Langeberg Foods Africa (Pty) Limited	–	201,6	–
Langeberg & Ashton Foods (Pty) Limited	653,9	–	–
The Duntulum Trust	18,9	–	–
Gloriande NV	0,2	–	–
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	330,8	–	710,9
Pharma I Investment Holdings Limited	1 227,6		789,2
Investment and dormant companies	165,5	16,3	–
Chocolaterie Confiserie Camerounaise	–	–	21,1
Deli Foods Nigeria Limited	31,7	–	–
UAC Foods	–	–	49,2
East Africa Tiger Brands Industries	19,3	–	–
Empowerment entities			
Tiger Brands Foundation	229,5	–	122,0
Thusani II	45,8	–	24,4
Associate			
Oceana Group Limited	–	–	164,5
National Foods Holdings Limited	–	–	10,4
Other			
Tiger Brands Employee Share Trust	–	1,4	–

Note:

[1] *Interest free with no fixed repayment terms. Not repayable before 30 September 2014 except for the amount owing by Langeberg & Ashton Foods (Pty) Limited, and the amount owing to Tiger Consumer Brands Limited.*

Notes to the financial statements continued

for year ended 30 September 2013

38 Related-party disclosures (continued)

(R'million)	Amounts owed by related parties[1]	Amounts owed to related parties[1]	Dividends received
COMPANY			
2012			
Subsidiaries			
Durban Confectionery Works (Pty) Limited	283,0	–	–
Tiger Consumer Brands Limited	–	45,8	1 894,8
Tiger Brands Mauritius (Pty) Limited	–	281,6	–
Enterprise Foods (Pty) Limited	0,4	–	–
Langeberg Holdings Limited	702,4	–	–
Langeberg Foods Africa (Pty) Limited	–	201,6	–
Langeberg & Ashton Foods (Pty) Limited	559,5	–	–
The Duntulum Trust	18,9	–	–
Gloriande NV	0,2	–	215,8
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	310,1	–	–
Investment and dormant companies	1 393,1	16,3	–
Chocolaterie Confiserie Camerounaise	–	–	16,9
Deli Foods Nigeria Limited	26,4	–	–
UAC Foods	–	–	22,1
Empowerment entities			
Tiger Brands Foundation	174,1	–	117,8
Thusani II	34,7	–	23,6
Associate			
Oceana Group Limited	–	–	101,9
National Foods Holdings Limited	–	–	3,3
Other			
Tiger Brands Employee Share Trust	2,3	–	–
Business Partners Limited	–	–	0,1

Note:

[1] Interest free with no fixed repayment terms. Not repayable before 30 September 2013 except for the amount owing by Langeberg & Ashton Foods (Pty) Limited, and the amount owing to Tiger Consumer Brands Limited.

39 Business combinations

39.1 Dangote Flour Mills Plc (DFM)

2013

On 4 October 2012, Tiger Brands acquired 63,35% of the issued share capital of Dangote Flour Mills Plc, a company based in Nigeria and engaged mainly in the manufacturing of flour, pasta and noodles, for a purchase consideration of R1,5 billion, less a warranty claim recognised of R27,5 million.

The purchase consideration was accounted for as follows:

(R'million)	Acquisition value
Trademarks	134,1
Property, plant and equipment	2 370,8
Deferred tax asset	73,9
Inventory	868,0
Trade and other receivables*	728,9
Cash and cash equivalents	(32,4)
Short-term borrowings	(968,2)
Trade payables	(1 064,5)
Taxation payable	(31,1)
Long-term borrowings	(497,2)
Deferred tax liability	(214,0)
Fair value of net assets acquired	1 368,3
Non-controlling interest	(529,6)
Goodwill	646,3
Purchase consideration	1 485,0

**Gross trade receivables of R811,7 million less allowance for doubtful debts of R326,3 million.*

From date of acquisition to 30 September 2013, the Dangote Flour Mills Plc business contributed R3,4 billion to group revenue and R277,7 million loss to profit after tax.

Non-controlling interests were calculated using the proportionate share method.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired and provides Tiger Brands with access to new markets and improved synergies.

The purchase consideration was financed out of operating cash flows.

2012

Simply Cereal

On 1 January 2012, Tiger Brands acquired 100% of the net assets of the Simply Cereal business, a company engaged in the manufacturing and marketing of cereal products.

The purchase consideration was accounted for as follows:

(R'million)	Acquisition value
Inventories	5,7
Trade and other receivables*	12,6
Trade and other payables	(10,3)
Property, plant and equipment	2,5
Fair value of net assets acquired	10,5
Purchase consideration in cash	10,5

**Gross trade receivables of R12,6 million less allowance for doubtful debts of Rnil.*

The purchase consideration was financed out of operating cash flows.

Notes to the financial statements continued

for year ended 30 September 2013

40 Subsequent events

The following material events occurred during the period subsequent to 30 September 2013, but prior to these financial statements being authorised for issue:

40.1 Tiger Brands has concluded an agreement, subject to regulatory approval, to acquire the entire share capital in a flour and bakery business based in Kenya (Rafiki Mills and Magic Oven) for a purchase consideration of US$25 million.

40.2 Subject to regulatory approval, the mandatory offer to minority shareholders of Dangote Flour Mills is expected to be concluded by March 2014, with Tiger Brands acquiring an additional 6,65% interest in DFM for a total purchase consideration of approximately R185 million.

41 Analysis of profit from discontinued operation

The combined result of the discontinued operation as included in the profit for the year is set out below.

(R'million)	GROUP 2013	GROUP 2012
Profit for the year from discontinued operation		
Turnover	1 087,8	–
Expenses	(890,9)	–
Operating income before abnormal items	196,9	–
Loss on remeasurement to fair value on transfer of net assets to held-for-sale	(25,8)	–
Operating income after abnormal items	171,1	–
Finance costs	(47,6)	–
Profit before taxation	123,5	–
Taxation	34,5	–
Profit for the year from discontinued operation	158,0	–
Cash flows from discontinued operation		
Net cash inflows from operating activities	266,1	–
Net cash outflows from investing activities	(178,6)	–
Net cash outflows from financing activities	(227,8)	–
Net cash outflows	(140,3)	–

The Dangote Agrosacks Limited business was acquired effective 4 October 2012 as part of the Dangote Flour Mills Plc acquisition per note 39 and as a result there are no comparatives which require restatement. During August 2013, a decision was made to dispose of the business resulting in Dangote Agrosacks Limited being classified and accounted for at 30 September 2013 as a disposal group held-for-sale – refer note 22.

Annexure A

Interest in subsidiary companies

(R'million)	Issued ordinary capital 2013	Issued ordinary capital 2012	Effective percentage holding 2013 %	Effective percentage holding 2012 %	Company's interest Shares at cost 2013	Company's interest Shares at cost 2012	Company's interest Indebtedness 2013	Company's interest Indebtedness 2012
Designer Group	0,1	0,1	100,0	100,0	132,1	132,1	–	–
Durban Confectionery Works (Pty) Limited	0,4	0,4	100,0	100,0	63,4	63,4	33,0	283,0
Enterprise Foods (Pty) Limited	–	–	100,0	100,0	49,7	49,7	0,4	0,4
Langeberg Holdings Limited	1,6	1,6	100,0	100,0	190,8	190,8	702,4	702,4
Langeberg & Ashton Foods (Pty) Limited	–	–	100,0	100,0	85,8	90,2	653,9	559,5
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	1,0	1,0	100,0	100,0	17,3	17,3	330,8	310,1
Tiger Consumer Brands Limited	0,1	0,1	100,0	100,0	0,1	0,1	(67,9)	(45,8)
Tiger Brands (Mauritius) Limited[2]	35,7	35,7	100,0	100,0	337,9	337,9	(174,0)	(281,6)
Haco Industries Kenya Limited[2]	11,1	11,1	51,0	51,0	45,5	45,5	–	–
Chocolaterie Confiserie Camerounaise[2]	71,8	71,8	74,7	74,7	152,7	152,7	–	–
Deli Foods Nigeria Limited[2]	2,1	2,1	100,0	100,0	251,6	251,6	31,7	26,4
East Africa Tiger Brands Industries[2]	212,2	212,2	51,0	51,0	121,4	121,4	19,3	–
Davita Trading (Pty) Limited	–	–	100,0	100,0	1 521,6	1 521,6	–	–
Pharma I Investment Holdings Limited[3]	–	–	100,0	100,0	–	–	1 227,6	1 227,6
Dangote Flour Mills Plc[2]	0,1	–	63,4	–	1 485,0	–	–	–
Other miscellaneous, property, investment and dormant companies	–	–	100,0	100,0	–	–	(33,3)	(33,3)
					4 454,9	2 974,3	2 723,9	2 748,7
Note								
[1] Non-current amounts owed to the company							*2 529,8*	*2 734,5*
Current amounts owed to the company							*653,9*	*559,5*
Non-current amounts owed by the company							*(391,9)*	*(499,5)*
Current amounts owed by the company							*(67,9)*	*(45,8)*
							2 723,9	*2 748,7*

[2] All companies are incorporated in South Africa other than six; one of which is incorporated in Mauritius, one in Kenya, one in Cameroon, two in Nigeria, and one in Ethiopia.

[3] Previously Adcock Ingram Holdings (Pty) Limited.

All Rand amounts of less than R100,000 are shown as nil in the above table.

Annexure B

Interest in associated companies

	Date of financial statements	Percentage holding 2013 %	2012 %	Nature of business	Listed/unlisted
Empresas Carozzi (Chile)	31/12/2012	24,4	24,4	Food processing	Unlisted
Oceana Group Limited	30/09/2013	41,9	37,4	Fishing	Listed
National Foods Holdings Limited	30/06/2013	37,4	37,4	Food processing	Listed
UAC Foods	30/06/2013	49,0	49,0	Food processing	Unlisted

Annexure C

Other investments

	Effective percentage holding		GROUP Number of shares		COMPANY Number of shares	
	2013 %	2012 %	2013	2012	2013	2012
Listed investments						
Adcock Ingram Holdings Limited	3,3	3,3	5 827 301	5 842 035	–	–
Unlisted investments						
Business Partners Limited	0,2	0,2	336 550	336 550	336 550	336 550

Note

The above lists the number of shares held by the group and the company, where material. A register is available for inspection at the registered office of the company.

Shareholder information

In this section

Application of King III	228 – 232
Administration	233
Analysis of shareholders	234 – 240
Shareholders' diary	241
Declaration of final dividend No 138	241
Notice of AGM	242 – 249
Appendix 1: Re-election of directors and election of audit committee	250
Annexure A – Outline of the remuneration policy	251 – 252
Form of proxy	253 – 254
Travel information	255

Application of King III

Principle number	Description	Compliance
Chapter 1: Ethical leadership and corporate citizenship		
1.1	The board should provide effective leadership based on an ethical foundation.	In accordance with the Board Charter the board is the guardian of the values and ethics of the group.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	The social, ethics and transformation committee which reports to the board and shareholders reflects and effects Tiger Brands' commitment to responsible corporate citizenship. In addition to compliance with King III the group has also adopted the principles of the Global Reporting Initiative (GRI) which guide it in its corporate responsibility.
1.3	The board should ensure that the company's ethics are managed effectively.	Tiger Brands has a Code of Ethics, to which all members of the board, management and employees of the group are required to adhere. The code promotes and enforces ethical business practices. Commitment to ethical management is reflected in the group status as a founder member of the Ethics Institute of South Africa. Enforcement of the group's Code of Ethics complements risk management activities.
Chapter 2: Boards and directors		
2.1	The board should act as the focal point for and custodian of corporate governance.	In accordance with the Board Charter the board is committed to the highest standards of corporate governance.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	The board, in accordance with the Board Charter, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The group's formalised risk management process takes into account the full range of risks including strategic and operational risk encompassing performance and sustainability.
2.3	The board should provide effective leadership based on an ethical foundation.	See 1.1 above
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	See 1.2 above
2.5	The board should ensure that the company's ethics are managed effectively.	See 1.3 above
2.6	The board should ensure that the company has an effective and independent audit committee.	See Chapter 3 below
2.7	The board should be responsible for the governance of risk.	See Chapter 4 below
2.8	The board should be responsible for information technology (IT) governance.	See Chapter 5 below
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	See Chapter 6 below
2.10	The board should ensure that there is an effective risk-based internal audit.	See Chapter 7 below
2.11	The board should appreciate that stakeholders` perceptions affect the company's reputation.	See Chapter 8 below
2.12	The board should ensure the integrity of the company's Integrated Annual Report.	See Chapter 9 below
2.13	The board should report on the effectiveness of the company's system of internal controls.	See Chapter 7 and 9 below

Principle number	Description	Compliance
2.14	The board and its directors should act in the best interests of the company.	The board acknowledges its role as a trustee on behalf of the shareholders and is required to act at all times in the company's best interests.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Business rescue has not been required.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board.	The Chairman of Tiger Brands, Mr AC Parker, is an independent non-executive director.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	The board has appointed Mr PB Matlare as Chief Executive Officer and a delegation of authority document is reviewed and approved by the audit committee.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The board has a majority of independent non-executive directors. There are nine independent non-executive directors and three executive directors.
2.19	Directors should be appointed through a formal process.	A formal appointment process is in place driven by the remuneration and nomination committee.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	New appointees to the board are appropriately familiarised with the company through an induction programme and ongoing training is provided and membership of the Institute of Directors is offered to all directors.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	Ian Isdale BA, LLB, EDP is the Company Secretary and the board deems him to be suitably qualified and experienced.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	The Chairman of the company performs an internal board assessment. In 2013, the company engaged the services of Deloitte to conduct a formal independent assessment of the board and its committees. An internal evaluation is conducted annually, when an external valuation does not take place.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	The board has delegated certain functions without abdicating its own responsibilities to the following committees: ‣ Audit committee ‣ Risk and sustainability committee ‣ Remuneration and nomination committee ‣ Social, ethics and transformation committee ‣ Investment committee
2.24	A governance framework should be agreed between the group and its subsidiary boards.	A governance framework is in place, in that governance practices for Tiger Brands cover the subsidiaries.
2.25	Companies should remunerate directors and executives fairly and responsibly.	The group's remuneration and nomination committee determines the remuneration policy on executive and senior remuneration in line with the group's remuneration philosophy and strategy. The total remuneration packages of the executive directors and senior management are subject to annual review and benchmarked against external market data taking into account the size of the company, its market sector and business complexity. A detailed remuneration report is contained in the Integrated Annual Report on pages 86 to 107.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	The remuneration of directors and prescribed officers is disclosed in the Integrated Annual Report on pages 165 to 167.
2.27	Shareholders should approve the company's remuneration policy.	Shareholders consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy at the annual general meeting.

Application of King III continued

Principle number	Description	Compliance
Chapter 3: Audit committee		
3.1	The board should ensure that the company has an effective and independent audit committee.	The group has an audit committee comprising three independent non-executive directors.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Members of the audit committee are all suitably skilled and experienced independent non-executive directors.
3.3	The audit committee should be chaired by an independent non-executive director.	The audit committee is chaired by Richard Dunne, an independent non-executive director.
3.4	The audit committee should oversee integrated reporting.	The audit committee oversees integrated reporting.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The audit committee oversees the assurance activities to ensure that they are constructed in a co-ordinated manner.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	The audit committee considered the expertise, resources and experience of the chief financial officer and the finance function and concluded these were appropriate.
3.7	The audit committee should be responsible for overseeing of internal audit.	The audit committee reviews and approves the internal audit plan submitted by the outsourced revenue providers KPMG Inc.
3.8	The audit committee should be an integral component of the risk management process.	The audit committee reviewed the group's risk approach and found it to be sound and considered and reviewed the findings and recommendations of the risk committee.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	The audit committee recommended to the board and to shareholders the appointment of Ernst & Young Inc. as the external auditors. The audit committee oversees the audit process.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	The audit committee formally reports to the board after each meeting and the report of the Chairman of the audit committee is on page 77 of this Integrated Annual Report.
Chapter 4: The governance of risk		
4.1	The board should be responsible for the governance of risk.	The risk and sustainability committee is responsible for overseeing the group's risk management programme and reporting thereon to the audit committee and the board, which retains ultimate responsibility for the control and mitigation of risk.
4.2	The board should determine the levels of risk tolerance.	The risk and sustainability committee assesses the levels of risk tolerance and limits of risk appetite for the group.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	See 4.1
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The board has delegated the day-to-day responsibility for risk management to management.
4.5	The board should ensure that risk assessments are performed on a continual basis.	The risk and sustainability committee actively monitors the group's key risks as part of its standard agenda.
4.6	The board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	All risks are identified and steps to mitigate these are outlined, including reasonably unpredictable risks.

Principle number	Description	Compliance
4.7	The board should ensure that management considers and implements appropriate risk responses.	The risk and sustainability committee ensures that the executive committee has in place appropriate responses to perceived risks.
4.8	The board should ensure continual risk monitoring by the management.	Responsibility for identified risks is assigned to an appropriate member of the group's senior management team, who is required to report to the executive committee on the steps being taken to manage or mitigate such risks.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	The risk and sustainability committee is provided with the assurance of the effectiveness of the risk management process from both the internal audit service providers KPMG Inc as well as from Alexander Forbes.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	The group's Integrated Annual Report provides a detailed outline of the risk management process to its stakeholders.
Chapter 5: The governance of information technology		
5.1	The board should be responsible for information technology (IT) governance.	The board understands the importance, relevance and inherent risks in IT and has delegated the management thereof to management. The risk and sustainability and audit committees assist in ensuring appropriate compliance structures are in place.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	The chief financial officer has taken direct responsibility for the introduction of a standardised and consistent platform across the group which is necessary to align the IT infrastructure with the strategy of the group as well as the performance and sustainability objectives of the group. As this is a long-term project, regular updates on the progress of this initiative are presented to both the audit and risk and sustainability committees and bi-annual updates are presented to the board. These updates include the business case for the proposed IT spend, as well as the status of the implementation of the overall project.
5.4	The board should monitor and evaluate significant IT investments and expenditure.	
5.5	IT should form an integral part of the company's risk management.	
5.6	The board should ensure that information assets are managed effectively.	
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	
Chapter 6: Compliance with laws, codes, rules and standards		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The risk and sustainability committee together with the company's legal counsel review the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities. A group Compliance Executive assists in this role.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	The directors and the board understand the appropriate applicable laws, rules, codes of standards required by the company and its business.
6.3	Compliance risk should form an integral part of the company's risk management process.	Compliance is an identified significant risk and addressed as part of the risk management process.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	This has been done and a group Compliance Executive has been appointed.

Application of King III continued

Principle number	Description	Compliance
Chapter 7: Internal audit		
7.1	The board should ensure that there is an effective risk-based internal audit.	A risk-based internal audit is in place.
7.2	Internal audit should follow a risk-based approach to its plan.	A risk-based approach is followed by internal audit.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	A written assessment of the effectiveness of the company's system of internal control and risk management is provided.
7.4	The audit committee should be responsible for overseeing internal audit.	The audit committee is responsible for overseeing the internal audit. (See 3.7 above.)
7.5	Internal audit should be strategically positioned to achieve its objectives.	Internal audit is independent, with no material breakdowns, enabling it to achieve its objectives.
Chapter 8: Governing stakeholder relations		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	Tiger Brands recognises that developing and nurturing positive relationships with its significant stakeholders are key drivers of success that inform business strategy and enable the group to better understand and address the impact of its activities on society.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	Management is responsible for maintaining stakeholder relationships.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	The appropriate balance is assessed on a continuous basis.
8.4	Companies should ensure the equitable treatment of shareholders.	The board ensures the equitable treatment of shareholders.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The company has a comprehensive stakeholder engagement process in place and communicates with stakeholders in a variety of ways, detailed on pages 14 to 16.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The board ensures that disputes are resolved effectively as is possible.
Chapter 9: Integrated reporting and disclosure		
9.1	The board should ensure the integrity of the company's Integrated Annual Report.	The board is responsible for the integrity of the Integrated Annual Report.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	The company's vision and mission statements, strategic objectives and value system are integrated into all policies, procedures, decision-making and operations, with sustainability as the ultimate objective.
9.3	Sustainability reporting and disclosure should be independently assured.	At present the company does not obtain independent assurance. This will be considered in future.

Administration

Tiger Brands Limited
Reg No 1944/017881/06

Company Secretary
I W M Isdale

Registered office
3010 William Nicol Drive,
Bryanston,
Sandton

PO Box 78056, Sandton, 2146

Telephone: 27 11 840 4000
Facsimile: 27 11 514 0477

Auditors
Ernst & Young Inc.

Principal banker
Nedbank Limited

Sponsor
JP Morgan Equities Limited

South African share transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051, Marshalltown, 2107

American Depository Receipt (ADR) facility
ADR Administrator
The Bank of New York Mellon

Shareholder Relations Department for ADRs
PO Box 11258
New York, NY10286
Level I ADR Symbol: T1OAY

Website address
www.tigerbrands.com

Contact details
Companysecretary@tigerbrands.com
Investorrelations@tigerbrands.com
tigercsd@tigerbrands.com
Consumer help line: 0860 005342

Analysis of registered shareholders and company schemes

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the annual report and accounts dated 27 September 2013 was:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	21 533	81,74	6 496 583	3,39
1 001 – 10 000 shares	4 202	15,95	11 520 905	6,01
10 001 – 100 000 shares	483	1,83	13 561 846	7,08
100 001 – 1 000 000 shares	98	0,37	32 632 283	17,04
1 000 001 shares and above	29	0,11	127 335 851	66,48
Total	26 345	100,00	191 547 468	100,00

Public and non-public shareholdings

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/company-related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	10	0,03	32 572 676	17,00
▸ Empowerment holdings	6	0,02	21 351 327	11,15
▸ Own holding	1	0,00	10 326 758	5,39
▸ Share trusts/share incentive scheme	2	0,01	889 591	0,46
▸ Directors and associates	1	0,00	5 000	0,00
Public shareholders	26 335	99,97	158 974 792	83,00
Total	26 345	100,00	191 547 468	100,00

Substantial investment management and beneficial interests

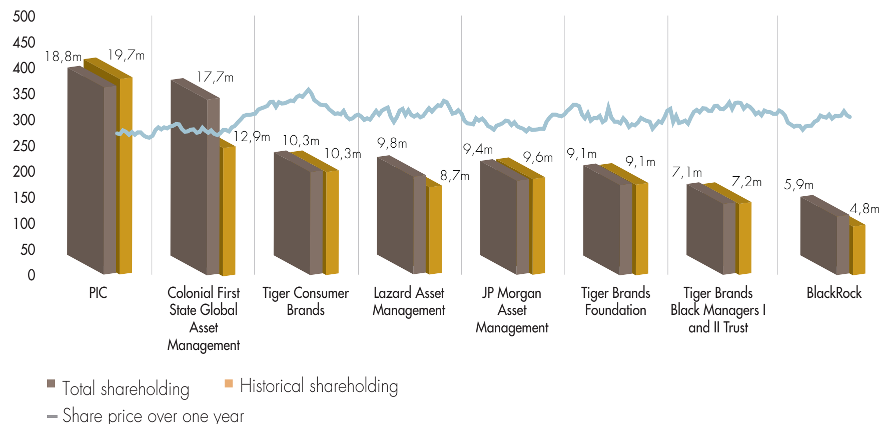
Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE-registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly, equal to or in excess of 3% of the issued share capital as at 27 September 2013:

Investment management shareholdings

Investment manager	Total shareholding	%
PIC	18 844 714	9,84
Colonial First State Global Asset Management	17 684 463	9,23
Tiger Consumer Brands	10 326 758	5,39
Lazard Asset Management	9 770 590	5,10
JP Morgan Asset Management	9 407 142	4,91
Tiger Brands Foundation	9 068 067	4,73
Tiger Brands Black Managers I and II Trusts	7 141 725	3,73
BlackRock	5 874 337	3,07
Total	**88 117 796**	**46,00**

Investment management shareholding positions above 3% with 12-month change



Analysis of shareholders continued

Beneficial shareholdings

Beneficial shareholdings	Total shareholding	%
Government Employees Pension Fund (PIC)	20 750 193	10,83
Tiger Consumer Brands Limited	10 326 758	5,39
First State Global Emerging Markets Fund	9 440 257	4,93
Tiger Brands Foundation	9 068 067	4,73
Tiger Brands Black Managers I and II Trusts	7 141 725	3,73
Total	56 727 000	29,61

Beneficial shareholding positions above 3% with 12-month change

Previously disclosed holdings
Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
N/A	–	–	–
Total	0	0,00	0,00

Beneficial owners now holding below 3%

Beneficial owner	Total shareholding	%	Previous %
N/A	–	–	
Total	0	0,00	0,00

Directors' holdings at 30 September

Directors	2013 number of shares	%	2012 number of shares
Dunne, RMW	5 000	0,00	5 000
Dunne Family Trust	5 000	0,00	5 000
Total	5 000	0,00	5 000

These shares are non-direct and non-beneficial holdings.

No changes to directors' holdings occurred between 30 September 2013 and the date of the notice for the annual general meeting to be held in 2014.

Geographic split of shareholders
Geographic split of investment managers and company-related holdings

Region	Total shareholding	% of issued capital
South Africa	90 659 172	47,33
United States of America and Canada	47 751 078	24,93
United Kingdom	29 524 611	15,41
Rest of Europe	6 201 899	3,24
Rest of the World[1]	17 410 708	9,09
Total	191 547 468	100,00

[1]Represents all shareholdings except those in the above mentioned regions.

Geographic split of beneficial shareholders

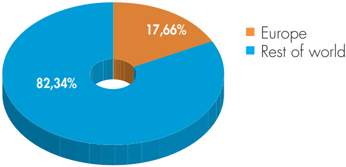
Region	Total shareholding	% of issued capital
South Africa	97 038 400	50,66
United States of America and Canada	44 029 000	22,99
United Kingdom	19 224 448	10,04
Rest of Europe	14 599 255	7,62
Rest of the World[1]	16 656 365	8,69
Total	191 547 468	100,00

[1]Represents all shareholdings except those in the above mentioned regions.

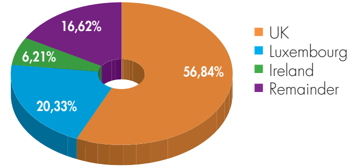
Analysis of shareholders continued

Geographic split of beneficial shareholders

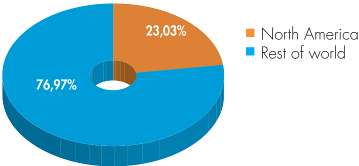
Total European holding



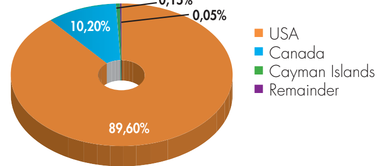
Split of beneficial shares



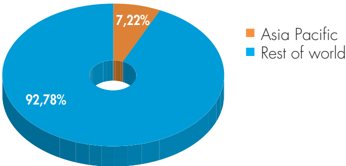
Total North American holding



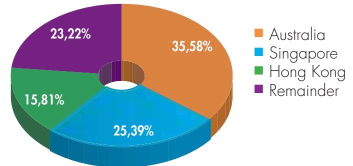
Split of beneficial shares



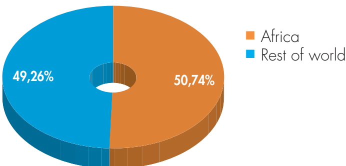
Total Asia Pacific holding



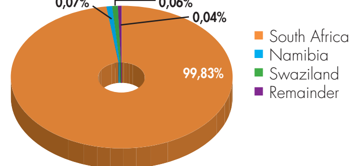
Split of beneficial shares



Total African holding



Split of beneficial shares



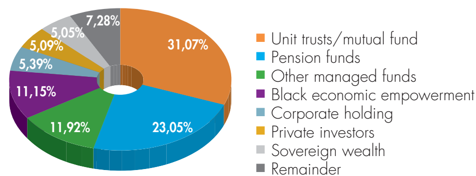
Shareholder categories

An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Unit trusts/mutual fund	59 522 563	31,07
Pension funds	44 148 673	23,05
Other managed funds	22 835 643	11,92
Black Economic Empowerment	21 351 327	11,15
Corporate holding	10 326 758	5,39
Private investors	9 747 204	5,09
Sovereign wealth	9 665 665	5,05
Insurance companies	3 615 235	1,89
Custodians	2 501 526	1,31
Exchange-traded fund	2 395 948	1,25
American depository receipts	1 777 755	0,93
Employees	889 581	0,46
Charity	573 058	0,30
Investment trust	179 767	0,09
Local authority	117 432	0,06
University	75 115	0,04
Foreign government	36 000	0,02
Remainder	1 788 218	0,93
Total	191 547 468	100,00

Beneficial shareholders split by category[1]



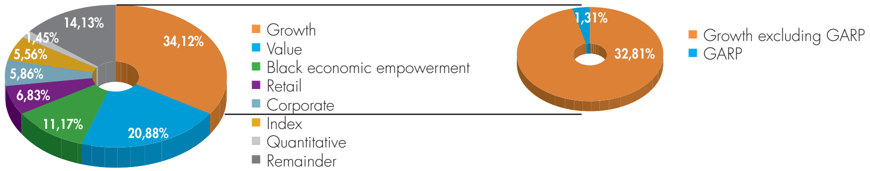
[1]*Includes categories above 2% only.*

Analysis of shareholders continued

Analysis of investment styles

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base.

Analysis of investment styles[1]



[1]*Includes categories above 1% only.*

Shareholders' diary

Financial year end	30 September 2013	
Annual general meeting	11 February 2014	
Report and accounts		
Announcement of interim report and interim dividend for half-year ending 31 March	21 May 2014	
Announcement of annual results and final dividend for the year ended 30 September	19 November 2014	
Annual report published	December 2014	
Dividends	**Declaration**	**Payment**
Ordinary shares		
Interim dividend	May 2014	July 2014
Final dividend	November 2014	January 2015

Declaration of final dividend No 138

The board has approved and declared a final dividend of 555 cents per ordinary share (gross) in respect of the year ended 30 September 2013.

The dividend will be subject to dividends tax that was introduced with effect from 1 April 2012.

In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:
The dividend has been declared out of income reserves;
The local Dividends tax rate is 15% (fifteen per centum);
There are no secondary tax on companies (STC) credits utilised;
The gross local dividend amount is 555 cents per ordinary share for shareholders exempt from the Dividends tax;
The net local dividend amount is 471,75 cents per ordinary share for shareholders liable to pay the Dividends tax;
Tiger Brands has 191 550 468 ordinary shares in issue (which includes 10 326 758 treasury shares); and
Tiger Brands Limited's income tax reference number is 9325/110/71/7

Shareholders are advised of the following dates in respect of the final dividend:

Last day to trade cum the final dividend	Friday, 3 January 2014
Shares commence trading ex the final dividend	Monday, 6 January 2014
Record date to determine those shareholders entitled to the final dividend	Friday, 10 January 2014
Payment in respect of the final dividend	Monday, 13 January 2014

Share certificates may not be dematerialised or rematerialised between Monday, 6 January 2014 and Friday, 10 January 2014, both days inclusive.

By order of the board

IWM Isdale
Company Secretary

Sandton
19 November 2013

Notice of annual general meeting of shareholders

Notice is hereby given that the 69th annual general meeting of shareholders of Tiger Brands will be held on Tuesday, 11 February 2014, at 14:00, at 3010 William Nicol Drive, Bryanston, 2021, (or any adjourned or postponed date and time determined in accordance with sections 64(4) and 64(11)(a)(i)) of the Companies Act, No. 71 of 2008, as amended from time to time (the "Companies Act") as read with the JSE Limited (the "JSE") Listings Requirements (the "Listings Requirements"), to transact the following business and to consider and, if deemed fit, to pass and approve, with or without modification, the following ordinary and special resolutions in the manner required by the Companies Act), and subject to the JSE Listings Requirements.

Date of issue: 30 December 2013

Copies of the Integrated Annual Report which accompanies this notice are available in English only and may be obtained from Monday, 6 January 2014 until Tuesday, 11 February 2014, both days inclusive, during normal business hours from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the "Corporate information" section of the Integrated Annual Report.

1. Report from social and ethics committee to the annual general meeting

The report from the social, ethics and transformation committee contained on pages 75 and 76 of the Integrated Annual Report is tabled in terms of Regulation 43(5)(c) of the regulations to the Companies Act.

2. Ordinary business

2.1. Presentation of the annual financial statements

"To present the consolidated audited annual financial statements of the company and its subsidiaries as approved by the board of directors of the company (the "board") in terms of section 30(3) of the Companies Act, incorporating the auditors' and directors' reports for the year ended 30 September 2013 and incorporating the audit committee report."

In accordance with the Companies Act the directors must present to shareholders, for their consideration, the consolidated audited financial statements of the company and its subsidiaries for the last completed financial year (as approved by the board), together with the reports of the directors, the auditors and the audit committee.

2.2. Ordinary resolutions numbers 2.2.1 to 2.2.4 – re-election of directors

The company's memorandum of incorporation require the directors to offer themselves for re-election in terms of section 68(2)(a) of the Companies Act at the first meeting of shareholders which takes place after their appointment and from then on for re-election by rotation –

2.2.1. "RESOLVED THAT AC Parker, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and he is hereby reappointed as a director of the company."

Explanation and effect of ordinary resolution number 2.2.1

The reason for proposing ordinary resolution number 2.2.1 is to reappoint AC Parker as a director of the company. AC Parker is obliged to retire in terms of the company's memorandum of incorporation. Shareholders are referred to page 250 of this notice for a short biography of AC Parker.

2.2.2. "RESOLVED THAT MP Nyama, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and he is hereby reappointed as a director of the company."

Explanation and effect of ordinary resolution number 2.2.2

The reason for proposing ordinary resolution number 2.2.2 is to reappoint MP Nyama as a director of the company. MP Nyama is obliged to retire in terms of the company's memorandum of incorporation. Shareholders are referred to page 250 of this notice for a short biography of MP Nyama.

2.2.3. "RESOLVED THAT M Makanjee, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and she is hereby reappointed as a director of the company".

Explanation and effect of ordinary resolution number 2.2.3

The reason for proposing ordinary resolution number 2.2.3 is to reappoint M Makanjee as a director of the company. M Makanjee is obliged to retire in terms of the company's memorandum of incorporation. Shareholders are referred to page 250 of this notice for a short biography of M Makanjee.

2.2.4. "RESOLVED THAT RD Nisbet, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and he is hereby reappointed as a director of the company."

Explanation and effect of ordinary resolution number 2.2.4

The reason for proposing ordinary resolution number 2.2.4 is to reappoint RD Nisbet as a director of the company. RD Nisbet is obliged to retire in terms of the company's memorandum of incorporation. Shareholders are referred to page 250 of this notice for a short biography of RD Nisbet.

The appointments numbered 2.2.1 to 2.2.4 constitute separate ordinary resolutions and will be considered by separate votes.

2.3. Ordinary resolution number 2.3 – approval of remuneration policy

"RESOLVED AS AN ORDINARY RESOLUTION, to consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy."

Explanation and effect of ordinary resolution number 2.3

The reason for proposing this resolution is to request shareholders to signify their approval of the company's remuneration policy by way of a non-binding advisory resolution as provided for in King III. The policy is outlined on pages 251 and 252 of this notice and should be read with the remuneration report on pages 88 to 107 of the Integrated Annual Report.

2.4. Ordinary resolution number 2.4.1 to 2.4.3 – election of the audit committee

"In terms of section 94 of the Companies Act at each annual general meeting the shareholders must elect an audit committee comprising at least 3 (three) members, each of whom must satisfy the requirements set out in the Companies Act and regulations to the Companies Act. The following independent non-executive directors offer themselves for election to the audit committee that is RWM Dunne, KDK Mokhele and RD Nisbet.

2.4.1. "RESOLVED THAT RWM Dunne is re-appointed as a member of the company's audit committee with effect from the end of this annual general meeting."

Explanation and effect of ordinary resolution number 2.4.1

The reason for proposing ordinary resolution 2.4.1 is to appoint RWM Dunne as a member of the Company's audit committee. Shareholders are referred to page 250 of this notice for a short biography of RWM Dunne.

2.4.2. "RESOLVED THAT KDK Mokhele is re-appointed as a member of the company's audit committee with effect from the end of this annual general meeting."

Explanation and effect of ordinary resolution number 2.4.2

The reason for proposing ordinary resolution 2.4.2 is to appoint KDK Mokhele as a member of the company's audit committee. Shareholders are referred to page 250 of this notice for a short biography of KDK Mokhele.

2.4.3. "RESOLVED THAT RD Nisbet is re-appointed as a member of the company's audit committee with effect from the end of this annual general meeting, subject to his re-election as a director pursuant to ordinary resolution 2.2.4."

Explanation and effect of ordinary resolution number 2.4.3

The reason for proposing ordinary resolution 2.4.3 is to appoint RD Nisbet as a member of the company's audit committee. Shareholders are referred to page 250 of this notice for a short biography of RD Nisbet.

The resolutions numbered 2.4.1 to 2.4.3 constitute separate ordinary resolutions and will be considered by separate votes.

2.5. Ordinary resolution number 2.5 – appointment of auditors

"RESOLVED THAT, on recommendation of the current audit committee as envisaged in section 94(7) of the Companies Act, that Ernst & Young Inc. be and are hereby reappointed as auditors of the company."

Explanation and effect of ordinary resolution number 2.5

Section 90(1) of the Companies Act provides a list of the business that needs to be transacted at an annual general meeting convened by a public company. One such requirement is the appointment of an auditor for the ensuing

Notice of annual general meeting of shareholders continued

financial year. The effect of this ordinary resolution will be to re-appoint Ernst & Young Inc., as auditors of the Company.

2.6. Ordinary resolution 2.6 – general authority

"RESOLVED THAT, the board and/or any director of the company and/or the company secretary be and is hereby authorised to execute all documents and to do all such further acts and things as he/she may in his/her discretion consider appropriate to implement and give effect to the ordinary and special resolutions set out herein, if so approved by the shareholders."

Explanation and effect of ordinary resolution number 2.6

For the sake of practicality, the board, or a specific director(s) thereof or the company secretary, must be empowered to enforce the resolutions so passed by the company at the annual general meeting, if any.

3. Special business

3.1. Special resolution number 1 – section 44 financial assistance for subscription of shares

"RESOLVED THAT, the board of directors of the company ("the board") may, subject to compliance with the requirements of the company's memorandum of incorporation and the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the provision by the company, at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, of direct or indirect financial assistance, including without limitation by way of the provision of warranties or the provision of indemnities or a loan, guarantee of a loan or other obligation or the securing of a debt or other obligation, as envisaged in section 44 of the Companies Act, to any person, (other than a director or prescribed officer or person related to a director or prescribed officer), for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or related or inter-related company, for the purchase of any securities of the Company or related or inter-related.

Explanation and effect of special resolution number 1

The reason for this special resolution number 1 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to the potential recipients envisaged in the special resolution in accordance with the provisions of section 44 of the Companies Act. The company may not provide the financial assistance contemplated in section 44 of the Companies Act without a special resolution. The above resolution gives the board the authority to authorise the company to provide direct or indirect financial assistance, including but without limitation by way of the provision of warranties or the provision of indemnities or a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in special resolution number 1.

It is difficult to foresee the exact details of financial assistance that the company may be required to provide over the next 2 (two) years. It is essential, however, that the company is able to organise effectively its internal financial administration. The general authority in special resolution number 1 will allow the company to continue to grant financial assistance to the relevant parties in appropriate circumstances. For these reasons and because it would be impracticable and difficult to obtain shareholder approval every time the company wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in special resolution number 1. If approved, this general authority will expire at the end of 2 (two) years from the date in which this resolution is passed. There is, however, the intention to renew the authority annually at the annual general meeting.

3.2. Special resolution number 2 – section 45 financial assistance to related and interrelated parties

"RESOLVED THAT, the board of directors of the company (the "board") may, subject to compliance with the requirements of the company's memorandum of incorporation and the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial

assistance is proposed to be given are fair and reasonable to the company), authorise the provision by the company, at any time and from time to time during the period of 2 (two) years commencing on the date of adoption of this special resolution, of direct or indirect financial assistance, including without limitation by way of a loan, guarantee of a loan or other obligation or the securing of a debt or other obligation, as envisaged in section 45 of the Companies Act, to any 1 (one) or more related or interrelated companies or corporations of the company and/or to any 1 (one) or more members of any such related or interrelated company or corporation related to any such company or corporation as outlined in section 2 of the Companies Act, on such terms and conditions as the board may deem fit."

Explanation and effect of special resolution number 2

The reason for this special resolution number 2 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to the potential recipients envisaged in the special resolution in accordance with the provisions of section 45 of the Companies Act. The company may not provide the financial assistance contemplated in section 45 of the Companies Act without a special resolution. The above resolution gives the board the authority to authorise the company to provide direct or indirect financial assistance, including but without limitation by way of the provision of warranties or the provision of indemnities or a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in special resolution number 2.

It is difficult to foresee the exact details of financial assistance that the company may be required to provide over the next 2 (two) years. It is essential, however, that the company is able to organise effectively its internal financial administration. The general authority in special resolution number 2 will allow the company to continue to grant financial assistance to the relevant parties in appropriate circumstances. For these reasons and because it would be impracticable and difficult to obtain shareholder approval every time the company wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in special resolution number 2. If approved, this general authority will expire at the end of 2 (two) years from the date in which this resolution is passed. There is, however, the intention to renew the authority annually at the annual general meeting.

It should be noted that this resolution does not authorise financial assistance to a director or a prescribed officer or any company or person related to a director or prescribed officer.

3.3. Special resolution number 3 – approval of remuneration payable to non-executive directors, the Chairman and Deputy Chairman

"RESOLVED THAT the remuneration payable to non-executive directors be increased to R323 064 (three hundred and twenty-three thousand and sixty-four rand) per annum and that the remuneration payable to the Chairman and Deputy Chairman be R1 500 305 (one million five hundred thousand three hundred and five rand) per annum and R775 352 (seven hundred and seventy five thousand three hundred and fifty two rand) per annum respectively, such remuneration to be effective from 1 March 2014 and to be paid quarterly in arrear."

3.4. Special resolution number 4 – approval of remuneration payable to non-executive directors participating in subcommittees

"RESOLVED THAT the payment to non-executive directors who participate in the subcommittees of the board be as outlined hereunder –

	Chairman	Member
Audit committee	R245 528	R126 055
Remuneration and nomination committee	R183 094	R91 128
Risk/sustainability committee	R168 000	R77 850
Social, ethics and transformation committee	R139 564	R69 781

The above remuneration to be effective from 1 March 2014 and to be paid quarterly in arrear.

Explanation and effect of special resolutions number 3 and 4

The reason for proposing special resolutions numbers 3 and 4 is to increase the remuneration paid to non-executive directors, in respect of

Notice of annual general meeting of shareholders continued

services rendered as directors in terms of section 66(8) of the Companies Act, so as to ensure that such remuneration remains market-related and accords with the increasing level of responsibility being placed upon directors. The proposed remuneration was accepted by the board after a recommendation of the remuneration committee which considered the quantum of fees being paid to non-executive directors and to the Chairman and Deputy Chairman of similar-sized listed companies. The recommendation of the remuneration committee was made after it had received a recommendation from executive management. The Chairman and Deputy Chairman do not receive any additional remuneration for their participation in the subcommittees of the board.

The above levels of remuneration for non-executive directors represent increases of 6% (six percent) other than for the Chairman of the remuneration and risk/sustainability committees where the increases are 6.49% and 13.34% respectively, in order to align them with appropriate benchmarks. The proposed remuneration increases will take effect as of 1 March 2014, in line with the King III recommendation that such approvals should not be retrospective.

3.5. Special resolution number 5 – approval of remuneration payable to non-executive directors in respect of unscheduled meetings and additional work undertaken

"RESOLVED THAT non-executive directors be paid an amount of R17 000 (seventeen thousand rand) per meeting in respect of special meetings of the board and that non-executive directors be paid an amount of R3 400 (three thousand four hundred rand) per hour in respect of any additional work performed by them, provided that payment in respect of any such additional work is approved by the remuneration committee and the Chief Executive Officer. The increased remuneration is to be effective from 1 March 2014.

Explanation and effect of special resolution number 5

The reason for proposing this special resolution number 5 is to increase the existing fees paid to non-executive directors who attend special meetings of the board from R16 079 (sixteen thousand and seventy nine rand) per meeting to R17 000 (seventeen thousand rand) per meeting, and to increase the payment in respect of any additional work done from R3 216 (three thousand two hundred and sixteen rand) per hour to R3 400 (three thousand four hundred rand) per hour, provided that payment for such additional work is approved by the remuneration committee and the Chief Executive Officer. This is an increase of 5.7% (five point seven percent).

3.6. Special resolution number 6 – general authority to repurchase shares

"RESOLVED THAT, in terms of the authority granted in the company's memorandum of incorporation and/or the memorandum of incorporation of any subsidiary of the company, the company and/or its subsidiaries be and are hereby authorised, by way of a general approval, to acquire the company's own ordinary shares ("shares") upon such terms and conditions and in such amounts as the directors of the company (and, in the case of an acquisition by a subsidiary(ies), the directors of the subsidiary(ies) may from time to time decide), but subject to the provisions of the Companies Act and any other stock exchange upon which the shares of the company may be quoted or listed, subject to the following conditions –

3.6.1. that this authority shall be valid until the next annual general meeting of the company, or for 15 (fifteen) months from the date of passing of this resolution, whichever period is shorter;

3.6.2. that any repurchases of shares in terms of this authority be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty, such repurchases being effected by only one appointed agent of the company at any point in time, and may only be effected if, after their purchase, the company still complies with the minimum spread requirements stipulated in the JSE Listing Requirements;

3.6.3. that the acquisitions in any one financial year shall be limited to 4.5% (four and a half percent) of the issued share capital of the company at the date of this annual general meeting, provided that any subsidiary(ies) may acquire shares to a maximum of 10% (ten percent) in the aggregate of the shares in the company;

3.6.4. that any acquisition of shares, in terms of this authority, may not be made at a price greater than 10% (ten percent) above the weighted average market value of the shares over the 5 (five) business days immediately preceding the date on which the acquisition is effected;

3.6.5. the repurchase of shares may not be effected during a prohibited period, as defined in the JSE Listing Requirements; and

3.6.6. that an announcement containing full details of such acquisitions of shares, will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, 3% (three percent), of the number of shares in issue at the date of the general meeting at which this special resolution is considered and passed, and for each 3% (three percent), in aggregate, of the aforesaid initial number acquired thereafter."

In terms of the authorities granted at previous annual general meetings of shareholders, a subsidiary of the company had purchased 10 326 758 (ten million three hundred and twenty six thousand seven hundred and fifty eight) shares in the company up to 30 September 2013. The board of directors will continually reassess the repurchase programme, having regard to prevailing circumstances.

After considering the effects of a maximum repurchase, the directors are of the opinion that –

3.6.7. the company and the group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of notice of the annual general meeting;

3.6.8. the consolidated assets of the company and its subsidiaries (the "group") fairly stated in accordance with International Financial Reporting Standards, will be in excess of its consolidated liabilities for a period of 12 (twelve) months after the date of notice of the annual general meeting;

3.6.9. the company's and the group's issued share capital and reserves will be adequate for a period of 12 (twelve) months after the date of notice of the annual general meeting to meet the group's current and foreseeable future requirements;

3.6.10. the company and the group's working capital will be adequate for a period of 12 (twelve) months after the date of notice of the annual general meeting to meet the group's current and foreseeable future requirements; and

3.6.11. the board of directors' has passed a resolution approving the repurchase and confirm that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group.

Explanation and effect of special resolution number 6

The reason for, and effect of, this special resolution number 6 is to grant the directors a general authority in terms of the Companies Act and, subject to the JSE Listing Requirements and any other stock exchange upon which the shares of the company may be quoted or listed, for the acquisition by the company or one of its subsidiaries, of the company's own shares on the terms set out above.

The company will continue to ensure that its sponsor provides the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement, and after the annual general meeting of any purchase of the company's shares on the open market.

Shareholders' attention is, for the purpose of this general authority, drawn to the following information that is required to be disclosed and which is contained in the pages referred in the following pages of the Integrated Annual Report.

- Directors and senior management: pages 25 to 29
- Major beneficial shareholders: page 235
- Directors' interests in ordinary shares: page 135
- Share capital of the company: page 192
- There have been no material changes to major beneficial shareholders or to directors' interests since 30 September 2013.

The directors, whose names are given on pages 26 to 28 of the Integrated Annual Report which was enclosed with this notice of meeting, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there

Notice of annual general meeting of shareholders continued

are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Integrated Annual Report contains all information required by law and the JSE Listings Requirements.

The company is not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the financial position of the group.

There are no material changes to the financial or trading position of the company and/or the group, nor are there any legal or arbitration proceedings, that may affect the financial position of the group since 30 September 2013 and the date of this notice.

4. To transact such other business as may be transacted at an annual general meeting of shareholders.

Record dates, voting, proxies and electronic participation

Record dates

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of receiving notice of this general meeting is 20 December 2013.

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of being entitled to attend and vote at the general meeting is 31 January 2014.

The last day to trade in ordinary shares of the company in order to be entitled to attend and vote at the general meeting is 24 January 2014.

Attendance, voting and proxies

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The forms of proxy should be completed by those shareholders who are –
   - holding shares in certificated form; or
   - "own name" registered dematerialised shareholders.
2. All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. Note that voting will be performed by way of a poll, unless before the vote is taken it is determined by the chairperson of the annual general meeting that the vote be decided on a show of hands, so each shareholder present or represented by way of proxy will be entitled to 1 (one) vote for every ordinary share held or represented.
4. Attention is drawn to the notes attached to the proxy form.
5. Forms of proxy must be lodged at, posted to, or faxed to –
   the registered office of the company at 3010 William Nicol Drive, Bryanston, 2021 ("Registered Office") or the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa ("Transfer Secretaries"), so as to be received by them by no later than close of business on Friday, 7 February 2014, provided that proxies which are not delivered timeously to the registered office or transfer secretaries, may be handed up to the Chairman of the general meeting at any time before the proxy exercises any rights of the shareholder at the general meeting.

   The completion of a proxy form will not preclude a member from attending the meeting.
6. In terms of the JSE Listings Requirements, as read with the Companies Act, and save where otherwise specified, 75% (seventy five per cent) of the votes cast by equities securities holders present or represented by proxy at the meeting must be cast in favour of the above special resolutions for them to be approved.

7. In terms of the Companies Act, a majority of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of an ordinary resolution for it to be approved.

8. Section 63(1) of the Companies Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of an original of a meeting participant's valid driver's licence, identity document or passport to be satisfactory identification.

Electronic participation

1. Shareholders wishing to participate electronically in the general meeting are required to deliver written notice to the company secretary, at 3010 William Nicol Drive, Bryanston, 2021 (marked for the attention of IWM Isdale), with a copy to the Transfer Secretaries at the address as set out below, by no later than 12:00 on Friday, 17 January 2014, indicating that they wish to participate at the general meeting via electronic communication (the "electronic participation notice").

2. In order for the electronic participation notice to be valid it must contain:

(i) if the shareholder is a natural person, a certified copy of his/her identity document and/or passport;

(ii) if the shareholder is not a natural person, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The resolution must set out who from the relevant entity is authorised to represent the relevant entity at the general meeting via electronic communication;

(iii) a valid email address and/or facsimile number (the contact address/number) of the shareholder; and

(iv) if the shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication.

By no later than Friday, 7 February 2014, the company shall use its reasonable endeavours to notify each shareholder (at their contact address/number) who has delivered valid electronic participation notices of the details pertaining to participation at the general meeting by electronic means. Any reference to "shareholder" in this paragraph includes a reference to that shareholder's proxy. Before any person may attend or participate in the general meeting, the person must present reasonably satisfactory identification.

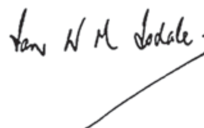
Shareholders should take note of the following:

1. the cost of the electronic communication facilities will be for the account of the company although the cost of shareholder's call will be for his/her/its own expense; and
2. by delivery of the electronic participation notices, the shareholder indemnifies and holds harmless the company against any loss, injury, damage, penalty or claim arising in any way from the use of the electronic communication facilities to participate in the annual general meeting or any interruption in the ability of the shareholder to participate in the annual general meeting via electronic communication whether or not the problem is caused by any act or omission on the part of the shareholder, or anyone else, including without limitation the company and its employees.

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg, 2001, South Africa
PO Box 61051, Marshalltown, 2107, South Africa
Tel: +27 11 370 5000
Fax: +27 11 688 5248

By order of the board



IWM Isdale
Company Secretary

13 December 2013
Bryanston

Appendix 1 – Re-election of directors and election of audit committee

2.2 Ordinary resolutions numbers 2.2.1 to 2.2.4 – re-election of directors

2.2.1 André Parker (62)

BCom, MBA
Chairman
MCom
André was appointed to the board in 2007. He is a director of Distell Limited and was appointed as the Chairman of the company with effect from 14 February 2012.

2.2.2 Makhup Nyama (56)

BCom, MBA, Diploma in Marketing Management
Makhup joined the Tiger Brands' board in August 2010. He is a former Chief Executive Officer of Saab Grintek (Pty) Limited and Deputy Chief Executive of CS Holdings Limited. Makhup is a director of Makhup Properties, Kapela Holdings and Xon Holdings.

2.2.3 Maya Makanjee (51)

BA Fine Arts, BCom, MBL (Cum laude)
Maya was appointed to the Tiger Brands board in August 2010. She is Chief Officer: Corporate Affairs of the Vodacom Group and was formerly the CEO of FinMark Trust. Maya is also a director of the Vodacom Foundation and the World Wide Fund for Nature (WWF).

2.2.4 Rob Nisbet (58)

BCom, BAcc, CA(SA)
Rob was appointed to the Tiger Brands board in August 2010. He was Group Financial Director of MTN Group Limited for 14 years until he resigned to pursue his own interests. Prior to joining MTN Group he was a director of other private and public companies.

2.4 Ordinary resolution number 2.4 – election of the audit committee

2.4.1 Richard Dunne (65)

CA(SA)
Richard joined the Tiger Brands board in June 2006. He is a Director of Anglo Platinum Limited, AECI Limited and Standard Bank Group Limited.

2.4.2 Khotso Mokhele (57)

BSc Agriculture, MSc Food Science, PhD Microbiology
Khotso joined the Tiger Brands Board in August 2007. He serves as Chairman of Adcock Ingram Holdings Limited and Impala Platinum Holdings Limited and is a director of African Oxygen Limited and Zimplats Holdings Limited.

2.4.3 Rob Nisbet (58)

BCom, BAcc, CA(SA)
Rob was appointed to the Tiger Brands board in August 2010. He was Group Financial Director of MTN Group Limited for 14 years until he resigned to pursue his own interests. Prior to joining MTN Group he was a director of other private and public companies.

Annexure A – Outline of the remuneration policy

Objective

The Tiger Brands Group Remuneration Policy aims to ensure that the group attracts and retains key and critical people required to deliver group business goals and results.

The policy, in conjunction with the remuneration philosophy and strategy is predicated on the following key principles:

- Remuneration should support the vision to be the most admired branded FMCG company in emerging markets by attracting and retaining the right talent.
- Remuneration should have a direct correlation with the growth plans and financial performance of the businesses and the group.
- Remuneration should be reviewed and benchmarked annually through professional in-country service providers to ensure the group remains competitive in the diverse markets in which we operate, i.e. both locally and internationally, never applying percentiles rigidly but taking into account industry type, skills scarcity, performance and legislative structures and requirements.
- Remuneration must support the group's strategy, and be consistent with the organisation's culture of fairness and equity.
- Remuneration should motivate, drive deeper engagement and allow for differentiation in rewarding high performers.
- Individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.
- Variable remuneration (short and long-term incentives) practices are tested periodically through external service providers to ensure the schemes support the group's objective of reward for achievement of short-term and long-term growth as well as the retention of talent. The remuneration committee actively participates in the entire process.

Remuneration mix and recognition and reward

The Tiger Brands group remuneration and reward comprises the following elements:

Definitions

- Total remuneration package (excluding bargaining unit employees): comprises base pay and benefits and is differentiated based on performance and the size of the business.
- Short-term incentives (for employees in middle management and above): short-term cash incentive that is based on the attainment of financial and strategic objectives. Primarily this scheme is intended to improve financial performance and focus the attention of participants on key strategic objectives.
- Long-term incentive (for employees in senior management and above): the medium to long-term investment by the group in its key talent to ensure sustained long-term growth and health of the group.
- The group also invests in the development of employees to ensure sustainable growth and excellent performance.

1. Total remuneration package (guaranteed)

In determining the appropriate level of total remuneration package, the following should be taken into consideration:

1.1 A role profile must be determined based on competencies, outputs and behaviours required for the job.

1.2 The role profile fit within the organisational structure must be determined and an appropriate job grade assigned.

1.3 Comparisons must be made annually with external and internal benchmarks to ensure equity, fairness and defensibility.

1.4 Appropriate market percentiles should be applied based on skills, experience, affordability and market competitiveness.

1.5 For existing employees, market percentiles should be based on performance ratings, time in the role, whether development is still required to fulfil the role, and value-add to the business and organisation as a whole.

1.6 Scarce skills should be determined annually and where scarcity is due to demand outstripping supply, a plan should be put in place to de-risk the business or organisation. Where scarcity is as a consequence of a unique combination of skills and experience an individual holds, deliberate efforts must be made to build a talent pool around the scarce individual to de-risk the business or organisation. Total remuneration package applied to this category of people should be targeted at the top end of the market range or alternatively a non-pensionable temporary additional remuneration should be considered until such time as the market stabilises or the risk is mitigated.

1.7 The composition of the total remuneration package includes both compulsory (eg retirement) benefits and discretionary (eg medical aid) benefits. As the group implemented a total remuneration package approach, employees are afforded a choice to join the Tiger Brands Medical Scheme should they value the quality of benefits offered.

1.8 Total remuneration packages are reviewed annually in October of each year.

1.9 Interim reviews to total remuneration packages may be undertaken to retain talent, adjust to market, and upon promotion of employees.

2. Short-term incentive

The group's short-term incentive scheme is designed to drive improvement of the group results on an annual basis. The scheme is governed by the scheme rules which are reviewed and approved by the group's remuneration committee annually.

- Eligibility for participation is based on the attainment of annual targets, both financial and strategic objectives.
- Only qualifying employees who are rated full performer, strong performer or exceptional performer during the year under review participate in the short-term incentive scheme.
- Need development performers and under performers do not participate in the short-term incentive scheme.
- Employees who have been found guilty of gross misconduct will not be allowed to participate in the incentive scheme.
- No adjustments are made for extraneous factors; the short-term incentive is based on reported earnings.

3. Long-term incentive

The long-term incentive scheme is designed to retain employees in the medium to long term to focus their attention on longer-term strategic imperatives and to ensure sustained future growth of the organisation. This scheme is governed by rules which are reviewed and updated by the remuneration committee as necessary for alignment with best practice.

- The group's senior managers are eligible for participation in the group's long-term incentive scheme.
- Eligibility criteria, the quantum of allocations and the conditions governing each allocation are determined by the remuneration committee.
- Allocations are made annually.
- The board determines appropriate measures in dealing with allocations made to employees who have been found guilty of gross misconduct.

4. Recognition and rewards

The group has in place mechanisms for recognising and rewarding its employees for excellence in various categories including high performance, living the values, continuous improvement, etc.

4.1 The group encourages participation in motivational programmes by individual businesses.

4.2 The businesses are encouraged to align their programmes to Tiger Stripes, the group's values based recognition programme.

4.3 Businesses should invest in the development of employees to ensure sustained performance and growth.

4.4 All people development initiatives should align to the business goals and derive from the personal development plans – which themselves should flow from the performance plans or performance reviews.

5. Governance

In all areas of remuneration, the Tiger Brands remuneration committee takes an active role in reviewing the remuneration philosophy, policy, strategy and practices for alignment to best practice and strategic imperatives of the group. The desired outcome of the policy remains facilitating attraction, retention and rewarding of the right talent for the group.

6. Variation

This policy may be varied at the discretion of the executive committee (for guaranteed remuneration) or the remuneration committee (for the incentive schemes) at any time. This may include the addition or deletion of benefits, as the case may be. The policy will apply to all employees regardless of the policy that applied at the time of the appointment of such employees.

This policy is to be read in conjunction with the company's letter of appointment, disciplinary code, code of ethics, applicable employment legislations as well as the company's short-term and long-term incentive scheme rules.

Form of proxy

Tiger Brands Limited
Incorporated in the Republic of South Africa
Registration number 1944/017881/06 (Tiger)
JSE code: TBS ISIN: ZAE000071080
Website address: http://www.tigerbrands.com

For Tiger Brands ordinary shareholders

1. For use at the annual general meeting of Tiger Brands Limited (the company) to be held at 3010 William Nicol Drive, Bryanston, Sandton, 2021 on Tuesday,11 February 2014, at 14:00, or any adjourned or posted date and time determined in accordance with sections 64(4) and 64(11 (a)(i),
2. This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares (dematerialised shares) through a Central Securities Depository Participant (CSDP) or broker, as the case may be, unless you are recorded on the subregister as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the company's subregister.
3. This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's subregister as the holder of dematerialised ordinary shares.
4. Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment thereafter.
5. Please note the following – your rights as a shareholder at the annual general meeting;

   5.2. The appointment of the proxy is revocable; and

   5.3. You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent

   appointment of a proxy; and (iii) delivering a copy of the revocation instrument to the proxy, and to the company.
6. Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the 2008 Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate. The company will regard presentation of an original of a meeting participant's valid driver's license, identity document or passport to be satisfactory identification.
7. Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to 1 (one) vote for every ordinary share held or represented.

I/We, the undersigned:

(PLEASE PRINT)

of (insert address):

being a member of Tiger Brands Limited and entitled to vote, do hereby appoint:

or, failing him/her,

or, failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of shareholders of the company to be held at 14:00 on 11 February 2014 or at any adjournment thereof as follows:

*(Indicate instructions to proxy by insertion of an "x" or the relevant number of votes exercisable by the member on a poll in the space provided below – see note 17).

	Number of votes		
	*In favour of resolution	*Against resolution	*Abstain from voting
Ordinary resolutions			
2.			
2.2.1 To re-elect AC Parker			
2.2.2 To re-elect MP Nyama			
2.2.3 To re-elect M Makanjee			
2.2.4 To re-elect RD Nisbet			
2.3 To consider and endorse, by way of non-binding advisory vote, the company's remuneration policy			
2.4 To re-elect the members of the audit committee			
2.4.1 To re-elect RWM Dunne			
2.4.2 To re-elect KDK Mokhele			
2.4.3 To re-elect RD Nisbet			
2.5 To reappoint Ernst & Young Inc. as auditors of the company			
2.6 General authority to implement resolutions			
SPECIAL BUSINESS			
Special resolution 1			
3.1 To approve the authority to provide financial assistance for subscription of shares			
3.2 To approve the authority to provide financial assistance to related and inter-related parties			
Special resolution 2			
3.3 To approve the remuneration payable to non-executive directors, including the Chairman and Deputy Chairman			
Special resolution 3			
3.4 To approve the remuneration payable to non-executive directors who participate in the subcommittees of the board			
Special resolution 4			
3.5 To increase the fees payable to non-executive directors who attend unscheduled meetings of the board and who undertake additional work			
Special resolution 5			
3.6 To approve the acquisition by the company and/or its subsidiaries of shares in the company			

and generally to act as my/our proxy at the annual general meeting. (If no directions are given, the proxy holder will be entitled to vote or to abstain from voting as that proxy holder deems fit.)

Signed at on 2014

Signature Assisted by me (where applicable)

(state capacity and full name)

Each member is entitled to appoint 1 (one) or more proxies (who need not be a member of the company) to attend, speak and vote in place of that member at the annual general meeting.

Please read the notes on the reverse hereof.

Notes to form of proxy (including a summary of rights, stated in bold, in terms of section 58)

1. Each shareholder may attend the general meeting in person.
2. At any time, a shareholder of a company may appoint any individual as a proxy to participate in, and speak at and vote at, the general meeting on behalf of the shareholder.
3. An individual appointed as a proxy need not also be a shareholder of the company.
4. The proxy appointment must be in writing, dated and signed by the shareholder.
5. Forms of proxy must be forwarded to reach the registered office of the company at 3010 William Nicol Drive, Bryanston, 2021 (Registered office) or the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa (Transfer secretaries), so as to be received by them by no later than close of business on 7 February 2014, provided that proxies which are not delivered timeously to the Registered office or Transfer secretaries, may be handed up to the Chairman of the general meeting at any time before the proxy exercises any rights of the shareholder at the general meeting.
6. The appointment of one or more proxies in accordance with the form of proxy to which these notes are attached will lapse and cease to be of force and effect immediately after the general meeting of the company to be held at the Registered office on Tuesday, 11 February 2014, at 14:00, or at any adjournment(s) thereof, unless it is revoked earlier in accordance with paragraphs 7 and 8 below.
7. A shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy/ies and to the company at the Registered office, for attention of the Company Secretary, to be received before the replacement proxy exercises any rights of the shareholder at the general meeting or any adjournment(s) thereof.
8. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy/ies' authority to act on behalf of the shareholder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 7(ii).
9. A shareholder can appoint one or more proxies for the purposes of representing that shareholder at the general meeting of the company and at any adjournment(s) thereof by completing and signing the form of proxy to which these notes are attached in accordance with the instructions it contains and returning it to the Registered office or the Transfer secretaries, so as to be received by them by no later than close of business on 7 February 2014 and may be handed up to the Chairman of the general meeting at any time before the proxy exercises any rights of the shareholder at a shareholders meeting.
10. If the instrument appointing a proxy or proxies has been delivered to the company in accordance with the provisions of paragraph 9, then, until that appointment lapses in accordance with the provisions of paragraph 6, any notice that is required in terms of the Companies Act 71 of 2008, as amended from time to time (the Act) or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered by the company to:

    10.1. the shareholder; or

    10.2. the proxy or proxies, if the shareholder has: (i) directed the company to do so, in writing; and (ii) paid any reasonable fee charged by the company for doing so.
11. Section 63(1) of the Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of an original of a meeting participant's valid driver's license, identity document or passport to be satisfactory identification.
12. Documentary evidence establishing the authority of a person who participates in or speaks or votes at the meeting on behalf of a shareholder in a representative capacity, or who signs the form of proxy in a representative capacity, (for example, a certified copy of a duly passed directors' resolution in the case of a shareholder which is a company, a certified copy of a duly passed members' resolution in the case of a shareholder which is a close corporation and a certified copy of a duly passed trustees' resolution in the case of a shareholder who/which is/are a trust) must be presented to the person presiding at the meeting or attached to the form of proxy (as the case may be), and shall thereafter be retained by the company.
13. It is recorded that, in accordance with section 63(6) of the Act, if voting on a particular matter is by polling, a shareholder or a proxy for a shareholder has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
14. Any insertions, deletions, alteration or correction made to the form of proxy must be initialled by the signatory/ies. Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the aforegoing will be deemed not to have been validly effected.
15. A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
16. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the general meeting.
17. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above or to provide any voting instructions will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she/it deems fit in his/her discretion.
18. When there are joint holders of shares, any one holder may sign the form of proxy, and the vote of the senior shareholder (for which purpose seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
19. The completion and lodging of this form of proxy will not preclude the shareholder who appoints one or more proxy/ies from participating in the meeting and speaking and voting in person thereat to the exclusion of any proxy/ies appointed in terms of the form of proxy should such shareholder wish to do so. The appointment of any proxy/ies is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.

Travel information

Website address:

http://www.tigerbrands.com
Place where meeting will be held:
3010 William Nicol Drive
Bryanston, 2021

Directions – South to North:

Up William Nicol Drive, past traffic light at Bryanston Drive, get into right-hand lane, next traffic light turn right. On your left is Microsoft, Tiger Brands is on your right, go 270 degrees around the circle into Tiger Brands security. Parking is on your left. Reception is in the alcove on your left upon entering the building.

Directions – North to South:

Exit Western Bypass at William Nicol off-ramp, turn left into William Nicol Drive. Pass over Sloane Street and turn left at next traffic light. On your left is Microsoft, Tiger Brands is on your right, go 270 degrees around the circle into Tiger Brands security. Parking is on your left. Reception is in the alcove on your left upon entering the building.

ENVISAGE
INVESTOR & CORPORATE RELATIONS

BASTION GRAPHICS

Telephone: 011 840 4000
Facsimile: 011 514 0477
Physical address: Tiger Brands Limited
3010 William Nicol Drive, Bryanston
Postal address: PO Box 78056, Sandton
2146, South Africa
Website: www.tigerbrands.com